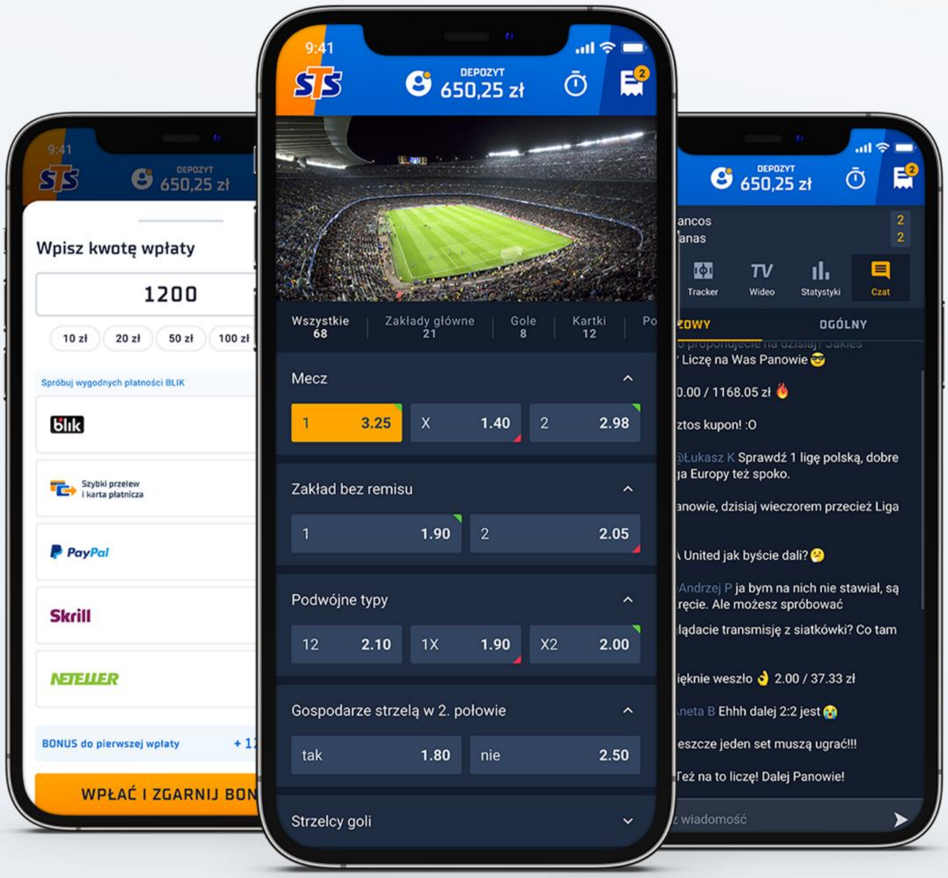
Consolidated financial statements of the Group of Companies STS Holding Spółka Akcyjna

for the period ended December 31, 2021

Prepared according to the International Financial Reporting Standards approved by the European Union

Katowice, April 27, 2022



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I. General information

Selected financial data converted into EUR

Selected financial data converted into EUR	PLN Jan 1 2021-Dec 31, 2021	PLN Jan 1, 2020-Dec 31, 2020	EUR Jan 1 2021-Dec 31, 2021	EUR Jan 1, 2020-Dec 31, 2020
Betting revenue	497,393,911	388,813,952	108,660,603	87,484,014
Other revenue from sales	237,565	155,907	51,898	35,079
Cost of products, services, goods, and materials sold	317,150,806	259,424,082	69,284,720	58,371,002
Profit/(loss) on operating activities	179,479,093	134,579,945	39,208,977	30,280,790
Profit/(Loss) before Tax	174,279,936	133,658,348	38,073,170	30,073,429
Net profit / (loss) attributable to the parent entity	131,337,655	102,198,157	28,692,005	22,994,815
Net cash flow from operating activities	148,938,914	140,991,908	32,537,174	31,723,497
Net cash flow from investment activity	88,458,322	-109,312,305	19,324,592	- 24,595,515
Net cash flows from financial activities	-139,616,337	-74,062,161	- 30,500,565	- 16,664,153
Total net cash flows	97,780,899	-42,382,559	21,361,201	- 9,536,171
Number of shares in thousands	156,390	156,250	-	-
Profit/(loss) per share (in PLN/EUR)	0.87	0.66	0.19	0.15
Diluted profit/(loss) per share (in PLN/EUR)	0.87	0.66	0.19	0.15
Book value per share (in PLN/EUR)	0.67	0.63	0.15	0.14
Diluted book value per share (in PLN/EUR)	0.67	0.63	0.15	0.14
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-
Total assets	266,853,085	268,461,571	58,019,108	58,174,042
Liabilities and provisions for liabilities (excluding accruals)	161,451,775	169,529,299	35,102,791	36,736,001
Non-current liabilities	23,155,144	32,879,945	5,034,384	7,124,891
Current liabilities	138,296,631	136,649,354	30,068,407	29,611,111
Equity	105,401,310	98,932,272	22,916,317	21,438,041
Share capital	156,389,998	2,496,000	34,002,261	540,869

The above financial data have been converted into EUR according to the following principles:
The items of the consolidated statement of comprehensive income and the consolidated cash flow statement have been converted at the exchange rates being the arithmetic mean of the EUR average exchange rates announced by the National Bank of Poland, valid on the last day of each month in a given reporting period. These rates were, respectively:
4.5775 PLN/EUR from January 1 to December 31, 2021 and 4.4444 PLN/EUR January 1 to December 31, 2020.

(all figures are presented in PLN unless otherwise stated)

- The items of assets and liabilities of the consolidated statement of financial position have been converted at the EUR exchange rates announced by the National Bank of Poland, applicable on the last day of the reporting period. The rates were, respectively: 4.5994 PLN/EUR as on December 31, 2021 and 4.6148 PLN/EUR as on December 31, 2020.

I. DETAILS OF THE PARENT ENTITY

Name of the Reporting Entity or other identifying information: STS Holding S.A.

Explanation of changes in the name of the reporting entity or other identifying data that have occurred since the end of the previous reporting period: not applicable

Seat of the entity: Katowice, ul. Porcelanowa 8

Legal form of the entity: Spółka Akcyjna [joint stock company]

State of registration: Poland

Registered office address of the entity: Katowice, ul. Porcelanowa 8

Principal place of business:Katowice, ul. Porcelanowa 8

Description of the nature and basic scope of activity: holding company

Name of the parent entity: STS Holding S.A.

Name of the ultimate parent of the group: Mr. Mateusz Juroszek

Name:	STS Holding S.A.
Legal form:	spółka akcyjna [joint-stock company]
Registered office:	Katowice, ul. Porcelanowa 8
Country of registration:	Poland
KRS (National Court Register Number):	0000898108
Body keeping the register:	District Court for Katowice - Wschód in Katowice, 8th Commercial Division
REGON (Polish Business Registry Number):	388903879
NIP (Tax Identification Number):	527-29-56-761

The company STS Holding SA was established on March 10, 2021 by Vistra Shelf Companies sp. z o.o., , under the business name of Vartomil Investments Spółka Akcyjna (hereinafter: Vartomil Investments S.A.).

The company was based in Warsaw, ul. Towarowa 28, and was entered in the Register of Enterprises kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register under KRS number: 0000898108.

The subject of the Company's activity is any profit-oriented economic activity conducted on its own account and as an agent, in particular activities of head office and holding companies, excluding financial holding companies, as specified in PKD 70.10.Z. [Polish Classification of Activities].

On June 10, 2021, the company's shares were acquired by the following companies: Betplay Capital sp. z o.o. (former: Betplay International sp. z o.o.), Juroszek Investments sp. z o.o. and MJ Investments sp. z o.o.

By a resolution of the Extraordinary General Meeting of Vartomil Investments Spółka Akcyjna of August 31, 2021, it was decided that the Company should apply for admission and introduction to trading on the regulated market operated by the Stock Exchange of all shares issued by the Company, i.e. a total of 100,000 series A registered shares with a nominal value of PLN 1.00 each, and all shares of the company that will be issued and registered by the registration court competent for the company’s seat between the date of adoption of the resolution and the date of approval of the Company's Offering Memorandum drawn up in connection with the Public Offering by the Polish Financial Supervision Authority, in particular in connection with contributing shares in STS S.A. to the Company, which become bearer shares at the moment of changing the company's Articles of Association.

On September 10, 2021, the Extraordinary General Meeting of the company adopted Resolution No. 3 on increasing the Company's share capital by issuing series B shares for the existing shareholders of the Company.

The share capital of the Company was increased by PLN 156,149,998.00 through the issue of 156,149,998 series B shares with a nominal value of PLN 1.00 per share and an issue price of PLN 19.1767091322446 per share. All shares were offered for subscription pursuant to Art. 431 para. 2 point 1 of the Commercial Companies Code, by way of a private subscription by the existing shareholders of STS Holding S.A. holding the company's shares as at the subscription rights date, in exchange for an in-kind contribution in the form of 112,150,000 series A and B registered shares of STS Spółka Akcyjna with its registered office in Katowice.

The total value of the in-kind contribution was PLN 2,994,443,131.00.

On October 21, 2021, the Extraordinary General Meeting of STS Holding S.A. adopted Resolution no. 5 on increasing the Company's share capital by way of issuing series C shares, depriving the existing shareholders of the company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series C shares to trading on the regulated market kept by the Warsaw Stock Exchange.

The Company’s share capital was increased by PLN 140,000.00 through the issue of 140,000 series C ordinary registered shares. The shares were acquired by Mr. Zdzisław Kostrubała (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00, and Mr. Marcin Walczysko (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00. In accordance with the resolution No. 5 of the Extraordinary General Meeting of STS Holding S.A., new series C shares are converted into bearer shares on the day of introducing series A shares and series B shares of the Company to trading on the regulated market operated by the Warsaw Stock Exchange.
The company was listed on the regulated market on December 10, 2021.

The ultimate parent of the company is Mr Mateusz Juroszek.

II. DURATION OF THE GROUP OF COMPANIES

The Parent Company STS Holding S.A. and other entities of the Group of Companies were established for an indefinite period.

III. DESCRIPTION OF ACTIVITIES OF STS HOLDING S.A. AND THE STS GROUP

Founded in 1997, STS is the largest bookmaking company in Poland, which also operates on the international market. The Group is licensed in the UK and Estonia, from which it offers services on several markets. The portfolio of the Group includes sports betting, Virtual Sports, online casino (excluding Poland), BetGames and a wide range of eSports.

(all figures are presented in PLN, unless otherwise stated)

The Group provides online services not only via the desktop website, but also through its mobile version, as well as dedicated Android and iOS applications and a network of approx. 400 retail betting shops across Poland. The Group is continuously improving its offering by, among others, providing more live bets and strengthening its leading position in the field of eSports. The Group has also created its own withdrawal system – STSpay – allowing quick transfers 24/7. The Group additionally owns Betsys – the company providing betting engine.

Thanks to effective 24/7 customer service, the Group can respond to increasing customer needs. Also, the Group offers live broadcasts of sports events via STS TV, also available to users of mobile devices. Every month, the Company broadcasts nearly 5,000 sports events, including, among others, football, tennis, volleyball, basketball and other sports.

The Group is actively involved in supporting Polish sport, being the largest private entity on the domestic sponsorship market. The Group is the official sponsor of the Polish National Football Team, the strategic sponsor of Lech Poznań, the main sponsor of Jagiellonia Białystok and the official sponsor of Cracovia, Pogoń Szczecin, Górnik Łęczna, Zagłębie Lubin, Polish Volleyball League and other clubs and sports associations. The Group also supports eSports.

The company STS S.A. has modern betting outlets, which are located in every major city in Poland - there are over 400 of them in total throughout the country. The Group has over 1,500 employees.

In February 2019, the Group started operating on European markets. Outside Poland, STS.BET Ltd in Malta is licensed in the UK and Estonia, from which it offers services on several markets. The group is the first Polish bookmaker to start operating abroad. In addition, the Group operates in the Czech Republic (Betsys s.r.o.) and Malta (STS Gaming Group Ltd and STS.bet Ltd). Additionally, the Group is looking at the Dutch market and is considering applying for a license to organize gambling games in this country. The Group remains focused on Poland, but it expects its international offering, including its online casino, to be a growing and important part of the Group's operations in the future. The company also does not rule out the interest in new directions of foreign expansion and the commercialization of the Betsys system in order to offer it to other bookmaking operators in Central and Eastern Europe, in the markets where the Group is not operating.

IV. PERIODS PRESENTED

The annual consolidated financial statements were prepared as on December 31, 2021 and they cover a period of 12 months, i.e. from January 1, 2021 to December 31, 2021.

For the data presented in the annual consolidated statement of financial position and off-balance sheet items, comparable financial data as on December 31, 2020 are presented.

For the data presented in the annual consolidated statement of comprehensive income, the annual consolidated statement of changes in equity and the annual consolidated cash flow statement, comparable financial data for the period from January 1, 2020 to December 31, 2020 are presented.

V. SUBSIDIARIES

Consolidated financial statements for the reporting year ended December 31, 2021 cover the following subsidiaries:

Name	Registered address	Registration data	Scope of business operations	Share capital (in PLN)	Percentage share in capital	Percentage share in voting rights

STS Spółka Akcyjna	Katowice, ul. Porcelanowa 8	National Court Register: 0000829716	Betting	4, 486,000	100%	100%
STS Gaming Group Limited	Malta, Pieta, 177/179 Triq Marina	C 68747	Bookmaker service provider	48,039,452	100%	100%
STS BET Limited	Malta, Pieta, 177/179 Triq Marina	C 77195	Betting	16,925,697	100%	100%
BetSys s. r. o.	Czech Republic, Prague, Karlin, Karolinska 650/1	ICO: 26499606	Programming services	33,540	74%	74%
Betsys Poland sp. z o.o.	Katowice, ul. Porcelanowa 8	National Court Register: 0000693519	Programming services	5,000	74%	74%

The date of acquisition of shares in STS Gaming Group Ltd. by STS S.A. is August 24, 2020. The date of acquisition of shares in Betsys s.r.o. and Betsys Poland sp. z o.o. by STS S.A. is August 31, 2020. The date of acquisition of shares in STS BET Ltd. by STS S.A. is July 14, 2021.

V. PRESENTATION OF THE GROUP OF COMPANIES

STS Holding S.A. – Parent Company

STS S.A. - a subsidiary in which STS Holding S.A. holds 100% of shares

STS Gaming Group Limited - a subsidiary in which STS S.A. holds 100% of shares

STS.BET Limited - a subsidiary in which STS S.A. holds 100% of shares

Betsys s.r.o. - a subsidiary in which STS S.A. holds 74% of shares

Betsys Poland sp. z o.o. - a subsidiary in which Betsys s.r.o. holds 100% of shares

VII. COMPOSITION OF THE GOVERNING BODIES OF THE PARENT ENTITY

As on December 31, 2021 and as on the date of preparation of the consolidated financial statements, the Management Board of the Parent Entity consists of the following persons:

Marcin Sylwester Walczysko
Member of the Management Board

Mateusz Zbigniew Juroszek
President of the Management Board

Zdzisław Jan Kostrubała
Member of the Management Board

From the date of establishing the Company, i.e. March 10, 2021 until June 8, 2021, Mr. Christian Guy Gaunt was included in the composition of the management body.

By a resolution of the Supervisory Board of June 8, 2021, Mr. Christian Guy Gaunt was recalled and the following persons were appointed for the composition of the Management Board:

1. Mateusz Juroszek - President of the Management Board
2. Zdzisław Kostrubała – Member of the Management Board,
3. Marcin Walczysko – Member of the Management Board

As on December 31, 2021 and as on the date of preparation of the consolidated financial statements, the Supervisory Board of the Parent Entity consists of the following persons:

Maciej Fijak
Chairman of the Supervisory Board

Zbigniew Eugeniusz Juroszek
Vice-Chairman of the Supervisory Board, Member of the Audit Committee

Milena Olszewska-Miszuris
Member of the Supervisory Board, Chairwoman of the Audit Committee

Elżbieta Spyra
Member of the Supervisory Board, Member of the Audit Committee

Krzysztof Krawczyk
Member of the Supervisory Board

From the date of establishing the Company, i.e. from March 10, 2021 until June 8, 2021, the composition of the Supervisory Board was as follows:

1. Mr. Kenneth Anthony Morgan
2. Ms. Anna Magdalena Poliszkiewicz
3. Mr. Alwyn Jacobus De Lange

By the resolution of the General Meeting of June 8, 2021, the existing members of the Supervisory Board were recalled and in their place the following members were appointed:

1. Mr. Zbigniew Juroszek
2. Ms. Urszula Juroszek
3. Mr. Mateusz Bromboszcz

By the resolution of the General Meeting of August 10, 2021, Ms. Urszula Juroszek was recalled from the position of a Supervisory Board Member and Mr. Maciej Fijak was appointed in her place.

By the resolution of the General Meeting of August 31, 2021, Mr. Mateusz Bromboszcz was recalled from the position of a Supervisory Board member and the following persons were appointed as members of the Supervisory Board:

1. Ms. Elżbieta Spyra
2. Ms. Milena Olszewska-Miszuris

3. Mr. Krzysztof Krawczyk

VIII. AN AUDITING COMPANY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The entity conducting the audit of the consolidated financial statements for the year ended December 31, 2021 was Grant Thornton Polska Sp. z o. o. Sp.k., ul. Abpa Antoniego Baraniaka 88 E, 61-131 Poznań, entered on the list of auditing companies kept by the National Council of Statutory Auditors with number 4055.

IX. LAWYERS COOPERATING WITH THE GROUP

- Kancelaria Adwokatów I Radców Prawnych SPCG – ul. Jabłonowskich 8, 31-114 Krakow,
- Ciołek Kancelaria Prawna – ul. Juliusza Lea 210C/1, 30-133 Krakow,
- Modzelewska & Paśnik - ul. Wiejska 17/5, 00-480 Warsaw,
- Kancelaria Radcy Prawnego Michał Chojnacki – ul. Matejki 6a, 40-077 Katowice,
- White & Case - al. Jana Pawła II 22, 00-133 Warsaw,
- Kancelaria Adwokacka Ciprýn & Kiršner - ul. Rumunská 12, Praha 2, 120 00, Prague, Czech Republic,
- EMD Malta, Vaults 13-16, Valetta, Waterfront FRN 1914 Malta.

X. BANKS COOPERATING WITH THE GROUP

- Alior Bank S.A. - ul. Łopuszańska 38D, 02-232 Warsaw,
- Bank Millenium S.A. - Stanisława Żaryna 2A, 02-593 Warsaw,
- Bank PEKAO S.A. - ul. Grzybowska 53/57, 00-950 Warsaw,
- BNP Paribas Bank Polska S.A. - ul. Kasprzaka 10/16, 01-211 Warsaw,
- Getin Noble Bank S.A. - ul. Przyokopowa 33, 01-208 Warszawa,
- ING Bank Śląski S.A. - ul. Sokolska 34, 40-086 Katowice,
- mBank S.A. – ul. Senatorska 18, 00-950 Warszawa,
- PKO BP S.A. – ul. Puławska 15, 00-975 Warszawa,
- Santander Bank Polska S.A. - al. Jana Pawła II 17, 00-854 Warsaw,

XI. FUNCTIONAL AND PRESENTATIONAL CURRENCY

The items included in the consolidated financial statements are measured in the currency of the primary economic environment in which the Group operates (functional currency). The consolidated financial statements are presented in Polish zlotys (PLN), which is the functional and presentation currency of the Group.

Transactions expressed in foreign currencies are converted into the functional currency at the exchange rate applicable on the transaction date. Exchange gains and losses from the settlement of these transactions and the balance sheet valuation of monetary assets and liabilities expressed in foreign currencies are recognized in the Profit and Loss Account.

The following exchange rates for the major foreign currencies have been used in these consolidated financial statements:

EUR exchange rates:

Financial year/period	Average rate in the period	Rate on the last day of the period
2021	4.5775	4.5994
2020	4.4449	4.6148

CZK exchange rates:

Financial year/period	Average rate in the period	Rate on the last day of the period
2021	0.1785	0.1850
2020	0.1680	0.1753

XII. GOING CONCERN ASSUMPTION

These consolidated statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable futures, i.e. in the period of at least 12 months after the balance sheet date.

As at the date of signing these consolidated financial statements, the Management Board of the Parent Company does not identify any facts or circumstances that would indicate a threat to the possibility to continue as a going concern over the period of 12 months after the end of the reporting period as a result of an intended or forced discontinuation or material curtailment of current activities.

Until the date of preparation of these consolidated financial statements for the period from January 1 to December 31, 2021, the Management Board of the Parent Company has not learned about any events that have been not included, but should have been, in the accounting records of the reporting period. At the same time, these consolidated financial statements do not include any material events relating to previous years.

XIII. DECLARATION OF THE MANAGEMENT BOARD

The Management Board of the Parent Entity declares that, to the best of its knowledge, these consolidated financial statements and comparative data have been prepared in accordance with the accounting principles applicable to the Group and give a true, clear and fair view of the property and financial position of the Group and its financial result.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and approved by the Parent Company's Management Board.

XIV. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR PUBLICATION

These consolidated financial statements were approved for publication by the Management Board of the Parent Entity on April 27, 2022.

II. Consolidated statement of com-prehensive income

(all figures are presented in PLN, unless otherwise stated)

Specification	Note	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Betting revenue	1	497,393,911	388,813,952
Revenue from sales	1	237,565	155,907
Other operating revenue	4	4,022,222	7,894,707
Amortization and depreciation	3	23,179,923	21,559,081
Consumption of materials and energy	3	10,111,189	8,492,572
External services	3	190,843,559	156,233,639
Taxes and charges	3	108,953	142,722
Employee benefits	3	90,326,176	70,396,933
Other costs by type	3	2,581,006	2,599,135
Other operating expenses	4	5,023,799	2,860,539
Profit (loss) on operating activities		**179,479,093**	**134,579,945**
Financial revenues	5	610,779	2,336,007
Financial expenses	5	5,809,936	3,257,604
Profit (loss) before tax		**174,279,936**	**133,658,348**
Income tax	6	38,494,854	30,737,315
Net profit (loss) from continuing operations		**135,785,082**	**102,921,033**
Profit (loss) from discontinued operations			
Net profit/loss		**135,785,082**	**102,921,033**
Profit (loss) attributable to the shareholders of the parent entity	7	131,337,655	102,198,157
Net profit (loss) attributable to non-controlling interests		4,447,427	722,876
Other total income		**606 431**	**-1,482,696**
Items not transferred to profit and loss			
Items transferred to profit or loss		606,431	-1,482,696
- Foreign exchange differences on translation of foreign operations		606,431	-1,482,696
Comprehensive income		**136,391,513**	**101,438,337**
Comprehensive income attributable to:			
- shareholders of the parent entity		131,944,086	100,715,461
- non-controlling entities		4,447,427	722,876

Profit (loss) per share (in PLN)

Basic for the financial period	7	0.87	0.66
- From continuing operations		0.87	0.66
- From discontinued operations			
Diluted for the financial period	7	0.87	0.66
- From continuing operations		0.87	0.66
- From discontinued operations			

Data for the period from January 1, 2020 to December 31, 2020 are the first data published for December 31, 2020, which include the acquisition and merger with STS.BET Ltd.

III. Consolidated statement of financial position

(all figures are presented in PLN, unless otherwise stated)

ASSETS	Note	31.12.2021	31.12.2020
Non-current assets		**102,993,291**	**112,337,121**
Tangible fixed assets	-	30,550,219	21,977,396
Intangible assets	-	7,788,015	8,521,566
Goodwill		11,515,210	11,515,210
Right-of-use assets	9	38,923,797	45,910,084
Deferred tax assets	6	851,205	-
Non-current prepayments and non-current accrued income	12	2,817,999	2,720,242
Other financial assets	11	10,546,846	21,692,623
Current Assets		**163,859,794**	**156,124,450**
Inventory		4,524	4,572
Trade and other receivables	13	16,404,261	9,885,207
Current tax assets		-	-
Other financial assets	11	1,017,839	97,582,400
Cash and cash equivalents	14	146,433,170	48,652,271
TOTAL ASSETS		**266,853,085**	**268,461,571**

(all figures are presented in PLN, unless otherwise stated)

LIABILITIES	Note	31.12.2021	31.12.2020
Equity		**105,401,310**	**98,932,272**
Share capital of the parent entity		**101,939,548**	**94,144,269**
Share capital	15	156,389,998	2,496,000
Other reserve capitals		3,195,596	662,063
Retained earnings		-57,646,046	90,986,206
Non-controlling shareholders' capital	**17**	**3,461,762**	**4,788,003**
Long-term liabilities		**23,155,144**	**32,879,945**
Right-of-use liabilities	19	22,630,266	31,504,153
Deferred tax provisions	6	-	941,291
Provisions for pensions and similar benefits	23	524,878	434,501
Current Liabilities		**138,296,631**	**136,649,354**
Liabilities due to credits and loans	18	0	6,687,850
Right-of-use liabilities	19	17,373,996	15,395,485
Trade liabilities	20	16,236,637	27,047,960
Current income tax liabilities	22	2,923,292	5,779,647
Other liabilities	22	99,284,722	79,838,628
Provisions for pensions and similar benefits	23	2,292,807	1,844,310
Other provisions	24	185,177	55,474
Total liabilities		**161,451,775**	**169,529,299**
TOTAL LIABILITIES AND EQUITY		**266,853,085**	**268,461,571**

IV. Consolidated statement of changes in equity

(all figures are presented in PLN, unless otherwise stated)

Specification	Share capital	Surplus of the issue price above the nominal value of shares	Other reserve capitals	Retained earnings	Share capital of the parent entity	Non-controlling shareholders' capital	Total Equity
Equity as on Jan 1, 2021	2,496,000	-	662,063	90,986,206	94,144,269	4,788,003	98,932,272
Changes in accounting principles (policy)	-	-	-	-	-	-	-
Error correction	-	-	-	-	-	-	-
Equity after adjustments	*2,496,000*	*-*	*662,063*	*90,986,206*	*94,144,269*	*4,788,003*	*98,932,272*
Increase in share capital	156,389,998	-	-	-156,149,998	240,000	-	240,000
Payment of dividends	-	-	-	-119,565,172	-119,565,172	-5,773,668	-125,338,840
Pricing of the incentive program	-	-	3,917,102	-	3,917,102	-	3,917,102
Reorganization of the Group of Companies	-2,496,000	-	-1,990,000	-4 254,737	-8,740,737		-8,740,737
Net profit/loss for the accounting year	-	-	-	131,337,655	131,337,655	4,447,427	135,785,082
Other comprehensive income	-	-	606,431	-	606,431	-	606,431
Comprehensive income	***-***	***-***	***606,431***	***131,337,655***	***131,944,086***	***4,447,427***	***136 391,513***
Sum of capital changes	***153,893,998***	-	***2,533,533***	***-148,632,252***	***7,795,279***	***-1,326,241***	***6,469,038***
Equity as on Dec 31, 2021	**156,389,998**	-	**3,195,596**	**-57,646,046**	**101,939,548**	**3,461,762**	**105,401,310**

(all figures are presented in PLN, unless otherwise stated)

Specification	Share capital	Surplus of the issue price above the nominal value of shares	Other capitals	Retained earnings	Share capital of the parent entity	Non-controlling shareholders' capital	Total Equity
Equity as on Jan 1, 2020	2,496,000	-	154,759	49,215,863	51,866,622	-	51,866,622
Changes in accounting principles (policy)	-	-	-	-	-	-	-
Error adjustment	-	-	-	-		-	-
Equity after adjustments	***2,496,000***	-	***154,759***	***49,215,863***	***51,866,622***	-	***51,866,622***
Increase in share capital	-	-	1,990,000	-	1,990,000	-	1,990,000
Payment of dividends	-	-	-	-60,427,814	-60,427,814	-	-60,427,814
Reorganization of the Group of Companies	-	-	-	-	-	-	-
Settlement of the acquisition of subsidiaries	-	-	-	-	-	4,065,127	4,065,127
Net profit/loss for the accounting year	-	-	-	102,198,157	102,198,157	722,876	102,921,033
Other comprehensive income	-	-	-1,482,696		-1,482,696	-	-1,482,696
Comprehensive income	**-**	**-**	***-1,482,696***	***102,198,157***	***100,715,461***	***722,876***	***101,438,337***
Sum of capital changes	**-**	**-**	***507,304***	***41,770,343***	***42,277,647***	***4,788,003***	***47,065,650***
Equity as on December 31, 2020	2,496,000	-	662,063	90,986,206	94,144,269	4,788,003	98,932,272

V. Consolidated cash flow statement

(all figures are presented in PLN, unless otherwise stated)

Specification	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Profit (loss) before tax	**174,279,936**	**133,658,348**
Total adjustments:	18,008,868	33,348,580
Amortization and depreciation	23,179,923	21,559,081
Exchange gains/(losses)	464,477	-1,139,687
Interest and profit sharing	890,333	303,026
Profit/(loss) on investment activity	373,108	-600,501
Change in provisions	-272,715	1,005,039
Change in the balance of inventories	48	8,444
Change in the balance trade and other receivables	-7,898,860	-4,387,667
Change in short-term liabilities, excluding credits and loans	-2,644,548	21,379,317
Other adjustments	3,917,102	-4,778,472
Total: Cash from operating activities	**192,288,804**	**167,006,928**
Income tax paid	43,349,890	26,015,020
Net cash flow from operating activities	**148,938,914**	**140,991,908**
INVESTMENT ACTIVITIES		
Disposal of intangible and legal assets and property, plant and equipment	432,484	762,300
Disposal of financial assets	144,033,314	11,086,808
Interests	224,173	781,695
Purchase of intangible assets and tangible fixed assets	14,719,754	8,523,679
Expenses of financial assets	41,511,895	113,419,429
Net cash flows from investment activity	**88,458,322**	**-109,312,305**
FINANCIAL ACTIVITIES		
Net inflows from issuance of shares	240,000	1,990,000
Credits and loans	1,790,503	19,779,366
Dividends paid	125,338,840	60,427,814
Repayment of credits and loans	8,160,345	22,636,876
Payment of liabilities arising from financial leases	6,895,375	11,332,116

(all figures are presented in PLN, unless otherwise stated)

Interest paid	902,108	1,084,722
Other revenue/financial expenditure	-350,172	-350,000
Net cash flows from financial activities	**-139,616,337**	**-74,062,162**
Change in cash and cash equivalents before the effects of exchange rate differences	97,780,899	-42,382,559
Foreign exchange gains / losses on the valuation of cash, cash equivalents and overdrafts	-	-
Balance sheet change in cash:	**97,780,899**	**-42,382,559**
Cash opening balance	48,652,271	91,034,830
Cash at the end of the period (F + D), including:	146,433,170	48,652,271
- of limited disposability	9,334,107	9,311,038

Data for the period from January 1, 2020 to December 31, 2020 are the first data published for the period from January 1 to December 31, 2020 to include the acquisition and merger with STS.BET Ltd.

01.

The basis for the preparation of the consolidated financial statements

I. DECLARATION OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board approved by the European Union, under the Regulation on IFRS (European Commission 1606/2002), hereinafter referred to as "EU IFRS".

These consolidated financial statements are the first statutory consolidated statements of the Group.

II. BASIS OF VALUATION

The consolidated financial statements have been prepared on the basis of the historical cost principle, except for the financial instruments which are measured at fair value and with the exception of defined retirement benefit plans and incentive programs measured at fair value.

The consolidated financial statements has been prepared on the assumption that the Group will continue as a going concern in the foreseeable future.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation of the statement of financial position

In accordance with IAS 1 "Presentation of Financial Statements", assets and liabilities are presented in the consolidated statement of financial position as current and long-term assets.

Presentation of the statement of comprehensive income

In accordance with IAS 1 "Presentation of Financial Statements", costs are presented by type in the consolidated statement of comprehensive income.

Earnings per share

Basic net earnings per share for each period is determined as the quotient of the net profit for a given period and the weighted average number of shares outstanding in that period, and includes additional issues of shares registered in the National Court Register after the balance sheet date.

IV. JUDGMENTS AND ESTIMATIONS MADE

The preparation of the consolidated financial statements in accordance with IFRS EU requires the Management Board of the Parent Entity to make judgments, estimations and assumptions affecting the application of the adopted accounting principles and the presented values of assets, liabilities, revenues and costs, the actual values of which may differ from the estimated value.

The estimates and related assumptions are verified on an ongoing basis. Changes in accounting estimates are recognized in the period in which the estimate was changed or in the current and future periods if the estimate change is made both in the current and future periods.

In particular, significant areas of uncertainty as to the estimates and the judgments made using the accounting principles that had the most significant effect on the amounts recognized in the consolidated financial statements are presented in the following notes:

- Note 6 - Income tax and deferred income tax
- Note 8 - Tangible fixed assets
- Note 9 - Right-of-use assets
- Note 10 - Intangible assets
- Note 11 - Other financial assets
- Note 13 - Trade and other receivables
- Note 19 - Right-of-use liabilities
- Note 23 and 24 - Provisions
- Note 25 - Financial instruments
- Note 29 - Incentive program

Impairment of non-financial fixed assets

As on each balance sheet date, the Group reviews the net value of fixed assets in order to determine whether there are any indications for the possibility of their impairment. If any such indications are found, the recoverable amount of a given asset is estimated in order to establish a potential write-down in that respect. In the event that an asset does not generate cash flows that are largely independent of the cash flows generated by other assets, the analysis is performed for the group of cash flow generating assets to which the asset belongs. With regard to intangible assets with an indefinite useful life, an impairment test is carried out annually and additionally when there are indications for a possible impairment. The recoverable amount is determined as the higher of the two values: fair value less selling costs or value in use. The latter corresponds to the present value of the estimated future cash flows discounted using a discount rate taking into account the current market time value of money and the risk specific to a given asset. If the recoverable amount is lower than the net book value of the asset (or group of assets), the book value is reduced to the recoverable amount. Impairment loss is recognized as the cost in the period in which it occurred, except for situations in which the asset is recognized at the revaluated amount (impairment loss is then treated as a decrease in the previous revaluation). When the impairment is subsequently reversed, the net value of the asset (or group of assets) is increased to the new estimated recoverable amount, however, it cannot exceed the net value of this asset that would have been determined if the impairment had not been recognized in previous years. The reversal of the impairment is recognized in revenue.

Valuation of provisions

Provisions are made at the amount representing the most reliable estimate of the expenditure required to fulfill the present obligation at the end of the reporting period.

Provisions for retirement benefits and the costs of unused leaves were estimated on the basis of the available personnel and financial and accounting information. Provisions for the costs of unused leaves are calculated at the end of the financial year on the basis of the actual number of days of unused leaves in the current period and increased by the number of days of unused leaves from previous periods. The number of days obtained in this way is multiplied by the average remuneration for individual employees. Provisions for unused holidays are calculated at the end of each year, i.e. the adjustment of the provisions for actually incurred costs of used leaves is made at the end of each year.

Deferred tax assets

Deferred tax assets are established for negative timing differences, or outstanding tax losses or unused tax credits that can be carried forward. Deferred tax assets are recognized only when it is probable that a taxable profit that will make it possible to realize them will be available in future periods. The fulfilment of this condition is verified at each reporting period end date.

Fair value of financial instruments

The fair value of financial instruments for which there is no active market shall be estimated using appropriate valuation techniques. When selecting the appropriate methods and assumptions, the Group uses professional judgment. In the case of the valuation of participation instruments in investment funds, the Group uses the valuations of fund management companies.

Depreciation rates

Depreciation rates are established based on the expected economic utility period of tangible fixed assets, the right to use assets and intangible assets. Every year, the Group verifies the adopted useful lives based on current estimates.

Materiality

Information is material if it can reasonably be expected that its omission, misstatement or non-transparency could influence the decisions of key users of the financial statements made on the basis of such statements.

Materiality depends on the nature or size of the information, or both. When preparing the financial statements, the Group assesses whether the information by itself or in combination with other information is material in the context of the financial statements as a whole.

The items treated as material by the Group, that is those that require additional explanations in the consolidated financial statements, are the items whose value exceeds 1% of the balance sheet total.

V. APPLICATION OF NEW STANDARDS, AMENDMENTS TO STANDARDS OR INTERPRETATIONS

The EU IFRS include standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) and approved for use within the EU.

Amendment to IFRS 16 "Leases"

In view of the COVID-19 pandemic, the IASB introduced a simplification which makes it possible to not assess whether changes in future cash flows stemming from concessions granted by lessors, which meet the conditions specified in the standard, constitute a "lease modification" as defined in IFRS 16. To be able to apply the simplification to a concession, it must meet the following conditions:

- total future consideration for the lease following the concession must be substantially the same as, or less than, the consideration for the lease preceding the concession,

- the concession must apply to payments due before June 30, 2021 (although increased payments may be due after that date),

- there are no substantive changes to other terms and conditions of the contract.

Furthermore, in 2021, the IASB amended one of the aforementioned conditions by changing the date of June 30, 2021 to June 30, 2022. This change is effective as of 2022, but it can be applied earlier.

The Group did not apply the simplification provided for in the standard.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16

In connection with the reform of benchmark interest rates (WIBOR, LIBOR, etc.), the IASB has made further amendments to accounting principles for financial instruments:

- in case of amortized cost measurement, changes in estimated cash flows stemming directly from the IBOR reform are treated as a change in variable interest rate, i.e. without recognition of profit or loss,

- there is no requirement to discontinue a hedging relationship if the only change is the result of the IBOR reform, while the other qualifying criteria for hedge accounting are met; the amendment regulates the manner in which the alternative rate should be taken into account in the hedging relationship,

- the entity is obliged to disclose information about the risks stemming from the reform and about the manner in which it manages the transition to alternative benchmark rates.

The amendment applies to annual periods commencing on or after January 1, 2021.

Standards and interpretations which apply to the version published by the IASB, but which have not been approved by the European Union, are indicated below, in the item concerning standards and interpretations which have not yet come into force.

Application of standards or interpretations before their effective date

No voluntary early application of a standard or an interpretation was exercised in these consolidated financial statements.

Published standards and interpretations which have not come into force for periods commencing on January 1, 2021 and their effects on the Group's statements

By the date of these consolidated financial statements, new or amended standards or interpretations applicable to annual periods commencing after 2021 had been published. The list also includes published amendments, standards and interpretations which have not yet been approved by the European Union.

New IFRS 17 "Insurance Contracts"

This new standard regulates the recognition, measurement, presentation and disclosures related to insurance and reinsurance contracts. This standard replaces the current IFRS 4.
The Group estimates that the new standard will not affect its financial statements, as it does not carry out insurance activities. The standard applies to annual periods commencing on or after January 1, 2023.

Amendment to IAS 1 "Presentation of financial statements"

The IASB clarified the rules for classification of liabilities into current or non-current liabilities, especially in two aspects:
- it was clarified that the classification depends on the rights held by the entity as at the balance sheet date,
- the management's intentions to accelerate or delay payment of a liability are not taken into account.

The amendments apply to annual periods commencing on or after January 1, 2023. The Group is analyzing the effects of these amendments on its financial statements.

Amendments to IFRS 1, IFRS 9, examples for IFRS 16, IAS 41 under the Annual Improvements 2018 – 2020:

- IFRS 1: additional exemption with respect to determination of exchange differences due to consolidation;
- IFRS 9: (1) in the 10% test performed to determine whether a modification should result in removal of a liability, only fees exchanged between the debtor and the creditor should be taken into account; (2) it was clarified that fees incurred are recognized in profit or loss if the liability is removed, and in the value of the liability if it is not removed;
- IFRS 16: the issue of lessor's incentive in the form of assumption of fit-out costs incurred by the lessee, which raised doubts with respect to interpretation, was removed from example 13,
- IAS 41: the prohibition to recognize tax flows in measurement of biological assets was deleted.

The amendments apply to annual periods commencing on or after January 1, 2022 (except for the amendment to the example in IFRS 16, which applies from the moment of publication). The Group has not yet completed an analysis of their effects on its financial statements.

Amendment to IAS 16 "Tangible fixed assets"

It was clarified that production carried out as part of pre-use testing of a tangible asset should be recognized as (1) inventory, in accordance with IAS 2, and (2) revenue, when the asset is sold (and should not affect the value of the tangible asset). Testing of a tangible asset is a component of that asset's cost. The Group estimates that the amendment will not affect its financial statements. The amendment applies to annual periods commencing on or after January 1, 2022.

Amendment to IAS 37 "Provisions, contingent liabilities and contingent assets"

It was clarified that the costs of fulfilment of onerous contracts include incremental costs (e.g. labor costs) and an allocated part of other costs directly related to the cost of fulfilment, e.g. depreciation and amortization. The Group is still estimating the effects of the amendment on its financial statements.
The amendment applies to annual periods commencing on or after January 1, 2022.

Amendment to IFRS 3 "Business combinations"

References to definitions of liabilities found in the framework and to the definition of contingent liabilities found in IAS 37 were clarified. The Group estimates that the amendment will not affect its financial statements.
The amendment applies to annual periods commencing on or after January 1, 2022.

Amendment to IAS 1 "Presentation of financial statements"

The IASB clarified which disclosures concerning the accounting policies used by the entity are material and must be presented in financial statements. The rules focus on adapting disclosures to individual circumstances of the entity. The Board warns against the use of standardized provisions copied from the IFRS and expects the basis on which financial instruments are measured to be a material disclosure. The Group estimates that the amendment will not affect its financial statements.
The amendment applies to annual periods commencing on or after January 1, 2023.

Amendment to IAS 8 "Accounting policies, changes in accounting estimates and errors"

The Board introduced a definition of accounting estimates: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.
The Group estimates that the amendment will not affect its financial statements.
The amendment applies to annual periods commencing on or after January 1, 2023.

Amendment to IAS 12 "Income taxes"

The Board introduced a rule stating that if a transaction results in both deductible and taxable temporary differences in the same amount, deferred tax assets and liabilities should be recognized even if the transaction does not arise from a business combination and does not affect accounting profit or loss or taxable profit or loss. This means that it is necessary to recognize deferred tax assets and liabilities e.g. when temporary differences of equal amounts occur in leasing (separate temporary difference on liability and on the right of use) or in case of restoration liabilities. The rule which states that deferred tax assets and liabilities are offset if current tax assets and liabilities are offset remained unchanged. The Group estimates that the amendment will not affect its financial statements.
The amendment applies to annual periods commencing on or after January 1, 2023.

Amendment to IFRS 17 "Insurance Contracts"

The Board established transitional provisions concerning comparative information for entities which implement IFRS 17 and IFRS 9 simultaneously, with a view to reducing potential accounting mismatches stemming from differences between these standards. The Group estimates that the amendment will not affect its financial statements, as it does not carry out insurance activities.
The amendment applies to annual periods commencing on or after January 1, 2023.

The Group intends to implement the above regulations within deadlines specified for application by standards or interpretations.

The dates of entry into force are those resulting from the standards announced by the International Accounting Standards Board. The dates of application of the standards in the European Union may differ from the dates of application resulting from the provisions of the standards and are announced upon their approval for application by the European Union.
According to the Parent's assessment, the aforementioned new standards have no significant effect on these consolidated financial statements, and the amendments to existing standards would not have had a significant effect on these consolidated financial statements had they been applied by Companies forming the Group on the balance sheet date.

VII. INFORMATION CONCERNING OPERATING SEGMENTS, GEOGRAPHICAL AREAS AND KEY CUSTOMERS

The Group identifies two primary operating segments of its business. These are:

- the retail segment, and
- the online betting segment.

With respect to the aforementioned components of the Group's activities:

- there is an involvement in business activities, which means that it is possible to gain revenue and incur costs;
- results of activities are regularly reviewed by the Parent's Management Board, which uses them to make decisions on resources allocated to a given segment and in assessment of segment performance;
- separate financial information is available.

Segments are identified on the basis of the service distribution channel criterion. Both segments involve betting on the outcome of sports events. In case of the retail segment, customers conclude bets through physical presence in a sales establishment. With respect to the online segment, customers conclude bets via a website.

Poland is the geographical area for both segments.

Operating segments were not combined in any way.

The Group does not identify as an operating segment its other revenue-generating activities due to their irrelevance for the overall business.

02.

Description of major accounting principles applied

The accounting policies presented below were applied to all periods presented in the consolidated financial statements by entities forming the Group.

I. CONSOLIDATION POLICIES

All subsidiaries of the STS Holding S.A. Group of Companies covered by these consolidated financial statements are subject to full consolidation.

Subsidiaries

Subsidiaries are all entities with respect to which the Group:

- has power over the entity,
- is exposed or has rights to variable returns,
- can use its power to affect those returns.

An acquirer recognizes goodwill as at the date of acquisition and measures it, in accordance with definitions below, as the excess of:

- the aggregate of:
  - the consideration transferred measured in accordance with IFRS 3, which generally requires acquisition-date fair value,
  - the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3,
  - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over:
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

After initial recognition, goodwill is carried at purchase price less any accumulated impairment losses. Goodwill is not amortized.

Non-controlling interests are recognized at the attributable fair value of net assets. In subsequent periods, losses attributable to non-controlling interests are attributed to the owners of the parent entity and non-controlling interests, even if the non-controlling interests become negative as a result. Subsidiaries sold in the financial year are subject to consolidation from the beginning of the financial year to the date of sale. Financial results of entities acquired during the year are recognized in the financial statements from the date on which they are acquired.

Revenue and expenses, settlements and unrealized profits on transactions between the Group's entities are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies applied by subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Accounting for a combination of entities under common control (point B1-B4 of Appendix B of IFRS 3 "Business Combinations") occurs when the same group of individuals will have the power to govern the financial and operating policies of the combined companies.

For a combination of entities under common control, accounting principles are not provided for in the International Financial Reporting Standards (IFRS EU); therefore, pursuant to point 10 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Group has adopted the following accounting policy for merger transactions under common control:

- the assets and liabilities of the acquired entity (within the meaning of IFRS) will be recognized at their carrying amount. The carrying amount will be considered to be the value originally determined by the controlling entity and not the values resulting from the separate financial statements of the acquired entity,
- intangible assets and contingent liabilities will be recognized on the principles applied by the entity before the merger, in accordance with the applicable IFRS,
- no goodwill will be recognized, as the difference between the consideration transferred and the acquired net assets of the controlled entity will be recognized directly in equity, under "retained earnings";
- non-controlling interests will be measured in proportion to the carrying amount of the net assets of the controlled entity,
- comparative data will be restated as if the merger had taken place at the beginning of the comparative period.

II. EQUITY AND TRANSACTIONS CONCERNING NON-CONTROLLING SHAREHOLDERS

Shares held by non-controlling shareholders include shares in the company included in the consolidation in accordance with IFRS 3 that do not belong to the Group. Equity belonging to non-controlling shareholders is determined as the value of the net assets of the related entity, attributable to the shareholders from outside the group of companies on the date of acquisition. That value is decreased/increased by the increase/decrease in equity attributable to the value of shares belonging to non-controlling shareholders from the date of acquisition.

III. TRANSACTIONS IN FOREIGN CURRENCY

Transactions denominated in currencies other than the functional currency of a given entity included in the Group are translated into the appropriate functional currency using the exchange rate applicable on the transaction date (spot rate).

As at the balance sheet date, monetary items expressed in currencies other than the functional currency are translated into the appropriate functional currency using the appropriate exchange rate applicable at the end of the reporting period, e.g. the average exchange rate established for a given currency by the National Bank of Poland.

Non-cash items recognized at historical cost denominated in a foreign currency are recognized at the historical exchange rate as on the transaction date.

Non-cash items recorded at fair value, expressed in a foreign currency, are measured at the exchange rate on the date of establishing the fair value, i.e. the average exchange rate established for a given currency by the National Bank of Poland.

Exchange differences arising from the settlement of transactions or the translation of monetary items other than derivative instruments are recognized respectively in the item of financial revenue or expenses in the net amount, except for exchange differences capitalized in the value of assets in cases specified in the accounting principles.

Exchange differences from the valuation of derivative instruments denominated in a foreign currency are recognized in the financial result.

As on the balance sheet date, assets and liabilities of foreign subsidiaries are translated into the Polish currency at the closing exchange rate prevailing on the balance sheet date, i.e. at the average rate established for a given currency by the National Bank of Poland.

The statement of comprehensive income of a foreign entity is translated at the average exchange rate for a given financial year, unless there are significant fluctuations in exchange rates. In the event of significant fluctuations in exchange rates, the exchange rate as on the transaction date is used for transactions included in the income statement as well as statement of income and other comprehensive income.

Foreign exchange differences resulting from the translation of the financial statements of a foreign entity are recognized in other comprehensive income and accumulated in a separate equity item until the foreign entity is sold. Upon selling of the foreign operation, the foreign exchange differences accumulated in equity are transferred to the result and recognized as an adjustment to the profit or loss on the disposal of the foreign operation.

IV. FINANCIAL ASSETS

Classification of financial assets

Financial assets are classified into the following categories:

- measured at amortized cost
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The Group classifies a financial asset based on the Group's business model for financial asset management and the contractual cash flow characteristics of the financial asset (the so-called "SPPI"). Financial assets are reclassified only when the Group changes its business model in the scope of financial asset management.

Recognition and de-recognition of financial assets

The Group recognizes a financial asset when it becomes bound by the provisions of a financial instrument contract.

The Group ceases to recognize a financial asset when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party, thereby transferring substantially all of the risks and benefits of ownership of the financial asset.

Valuation of financial assets at the time of initial recognition

At the moment of initial recognition, the Group measures financial assets at fair value, i.e. most often at the transaction price. Transaction costs are included by the Group in the initial value of all financial assets, except for the category of financial assets measured at fair value through profit or loss. An exception to this rule are trade receivables, which the Group measures at their transaction price as defined in IFRS 15, but this does not apply to trade receivables whose maturity is longer than one year and which contain a significant financing component as defined in IFRS 15.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- the financial asset is held according to a business model whose objective is to hold financial assets to obtain the contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are only payments of principal and interest on the principal amount outstanding.

The following are classified into the category of financial assets measured at amortized cost:

- trade and other receivables being financial assets,
- granted loans and bonds that pass the SPPI test, which according to the business model are recognized as held in order to obtain cash flows,
- cash and cash equivalents.

Financial assets Measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held according to a business model that aims to both receive contractual cash flows and sell the financial assets, and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are only payments of principal on the principal amount outstanding.

As on the balance sheet date of December 31, 2021 and as on the balance sheet date of the previous year covered by these consolidated financial statements, the Group did not have any financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through financial result

A financial asset that does not meet the criteria for classification into the category of financial assets measured at amortized cost or into the category of financial assets measured at fair value through other comprehensive income is classified as financial assets measured at fair value through profit or loss.

Under IFRS 9, an irrevocable selection can also be made on initial recognition for certain (non-trading) equity investments that would otherwise be measured at fair value through profit or loss to account for subsequent changes in fair value through other comprehensive income.

In the financial year and the comparative period covered by these consolidated financial statements, the Group did not make such a choice.

The category of financial assets measured at fair value through financial result includes investment fund participation units.

Impairment of financial assets

On each balance sheet date, the Group measures a write-down for expected credit losses related to financial assets classified as those measured at amortized cost or measured at fair value through other comprehensive income.

If the credit risk associated with a given financial asset has increased significantly since initial recognition, the write-down for expected credit losses is measured at an amount equal to the expected credit losses over the life of the asset.

On the other hand, if as on the balance sheet date the credit risk associated with a given financial asset has not increased significantly since initial recognition, the write-down for expected credit losses is measured at an amount equal to the expected credit losses over the period of 12 months.

With regard to trade receivables, the Group always measures the write-down for expected credit losses over the entire life of the receivables (i.e. until their maturity).

Write-downs and reversed write-downs due to expected credit losses in the case of trade and other receivables are recognized in other operating expenses or revenue, respectively.

Write-downs and reversed write-downs due to expected credit losses in the case of other financial assets are recognized in financial expenses or revenue, respectively.

The method of assessing a significant increase in credit risk and measuring write-downs for expected credit losses, depending on the type of financial assets, is as follows:

- for individually insignificant trade and other receivables (deposits, advances, settlements with employees, and other), the Group applies a practical approach that assumes the calculation of write-downs for expected credit losses for the entire life of the instrument. The estimates of write-downs are established primarily on the basis of overdue receivable ranges as on the balance sheet date and historical losses within each of the overdue ranges.
- for other financial assets, the Group takes into account information available without undue cost or effort, most often the financial statements of issuers or contractors, ratings of specialized institutions or economic forecasts for sectors or industries to which a given financial asset is related. Moreover, each time the overdue status is taken into account.

Regardless of the individual significance level of trade and other receivables, the Group applies an individual approach to credit risk assessment and the measurement of expected credit losses for receivables from debtors in liquidation or in bankruptcy and receivables questioned by debtors.

In the above situations, a write-down for receivables may be created in the amount of up to 100% of their value, despite the lack of overdue status.

Financial assets are written down in whole or in part when the Group has exhausted virtually all debt collection activities and decides that it can no longer reasonably expect them to be recovered. This usually occurs when the limitation period has expired, the bankruptcy or liquidation proceedings have been completed or the Group has information about the debtor's insolvency.

In the case of financial assets measured at amortized cost, the amounts written down for this reason reduce the previously made write-downs for expected credit losses.

Assets written down for which no previous write-offs due to expected credit losses were made or for which the write-offs were not made in full, are included in other operating costs or financial costs.

V. FINANCIAL LIABILITIES

Financial liabilities are disclosed under the following items in the statement of financial position:

- credits and loans,
- right-of-use liabilities,
- trade liabilities,
- other liabilities.

The Group recognizes a financial liability in the statement of financial position when it becomes bound by the provisions of the instrument contract. At the moment of initial recognition, the Group measures financial liabilities at fair value, i.e. most often at the transaction price. Transaction costs are included in the initial value of financial liabilities, except for liabilities measured at fair value through profit or loss.

The subsequent measurement of financial liabilities depends on their classification into one of the following categories:

- liabilities measured at amortized cost (using the effective interest rate method), or
- financial liabilities measured at fair value through financial result,

The category of financial liabilities measured at amortized cost includes, inter alia, credits and loans, debt securities, right-of-use liabilities, trade liabilities (excluding liabilities to customers for deposits, bonuses and amounts staked) and other liabilities with agreed payment time limits. In the case of trade liabilities and other short-term liabilities included in the category measured at amortized cost, the Group applies a simplification consisting in their subsequent valuation in the amount payable due to the insignificant discount effect.

Financial liabilities that meet the definition of liabilities held-for-trading are classified as financial liabilities measured at fair value through profit or loss. In accordance with IFRS 9, financial assets or financial liabilities are held for trading if:

- they were acquired or contracted mainly for the purpose of sale or repurchase in the near term,
- upon initial recognition, they are part of a portfolio of specific financial instruments that are managed together and for which there is evidence of the actual current mode of generating short-term profits, or
- they are a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The category of financial liabilities measured at fair value through profit or loss includes liabilities to customers due to deposits made, bonuses granted and amounts staked and outstanding as on the balance sheet date.

Profits and losses from the measurement of financial liabilities are recognized in profit or loss from financial activities.

VI. HEDGE ACCOUNTING

The Group has not designated hedged items or financial assets or liabilities as hedging items and does not apply hedge accounting.

VII. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and cash in bank accounts as well as short-term bank deposits with high liquidity (mainly overnight deposits), where the risk of impairment is insignificant.

Cash and cash equivalents are classified as financial assets measured at amortized cost.

VIII. EQUITY

Equity is recognized in the accounting books and presented in the financial statements broken down into types and in accordance with the principles specified by law.

IX. TANGIBLE FIXED ASSETS

Approach and valuation

Components of tangible fixed assets are recognized in the books at the purchase price or production cost less depreciation and impairment write-downs.

Production cost of a fixed asset and fixed assets under construction includes all costs incurred during the construction, assembly, adaptation and improvement of the asset incurred until the acceptance of the asset for use (or until the balance sheet date, if the component has not yet been put into use). The production cost also includes, when required, a preliminary estimate of the costs of dismantling and removal of tangible fixed assets and restoration to their original condition.

Borrowing costs related to the purchase or production of certain assets increase the purchase price or the production cost of such assets.

In the event that a specific item of tangible fixed assets consists of separate and significant parts with different useful lives, such parts shall be treated as separate assets.

Profits and losses on the sale of a tangible asset are determined through comparison of the revenues from sale with the current value of the assets sold and are recognized as other revenue or other costs in the financial result.

Expenditure incurred at a later date

The subsequent costs of the replaced parts of tangible fixed assets, which can be reliably estimated and it is probable that the Group will achieve economic benefits related to the replaced tangible fixed assets, are subject to capitalization. The carrying amount of the removed tangible fixed assets shall be derecognized. Expenditure incurred in connection with the current maintenance of tangible fixed assets is recognized in profit or loss for the current period at the moment it is incurred.

Amortization and depreciation

Tangible fixed assets, or their significant and separate components, are depreciated on a straight-line basis over their useful life, taking into account the net selling price of the remaining tangible fixed asset (residual value) anticipated at liquidation. Land is not depreciated. The Group assumes the following useful lives for each category of tangible fixed assets:

- Buildings and structures: 25 - 50 years
- Plant and machinery: 2 - 10 years, including:
  - Computers: 3 years
  - TV sets: 5 years
  - Screens: 5 years
  - Phones: 3 years
  - Air conditioners: 10 years
  - Cars: 4 years
- Other tangible fixed assets: 2 - 15 years

The correctness of the applied useful lives, depreciation methods and residual value of tangible fixed assets (unless it is insignificant) is verified by the Group every year and adjusted in justified cases.

X. INTANGIBLE ASSETS

Intangible assets are measured at the purchase price or production cost less depreciation and impairment write-downs and impairment losses.

In accordance with IFRS 3, if an intangible asset was acquired in a business combination, the purchase price of the intangible asset is based on its fair value as on the acquisition date. Each time, the Group shall assess whether a given intangible asset has a limited or unlimited useful life.

Intangible assets with a limited useful life are amortized over the useful life and tested for impairment each time when the indications implying their impairment occur. The period and method of amortization of intangible assets with a limited useful life are verified at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of economic benefits derived from a given intangible asset result in an adjustment of the depreciation rate.

Intangible assets with an indefinite useful life and those that are not used, are verified annually for possible impairment in relation to individual assets or at the level of the cash-generating unit.

The depreciation period for individual types of intangible assets is as follows:

- acquired property rights, licenses and concessions - 2 years,
- other intangible assets - 2 years,
- value of a separate IT platform - 10 years,

- development costs are amortized using the straight-line method over their expected useful lives; in the event when it is impossible to isolate the internally generated asset, the costs of development works are recognized in the result for the period in which they were incurred.

Research costs are not subject to capitalization and in the result they are presented as costs in the period in which they were incurred.

The results resulting from de-recognition of intangible asset in the statement of financial position are measured at the difference between net income from sales and the carrying amount of a given asset, and are recognized in the profit and loss account at the moment they are derecognized in the statement of financial position.

In accordance with IAS 38, the production cost includes all expenditure that is directly attributable to the activities of development, production and adaptation of an asset for use in the manner intended by the management. Such expenditures include:

- expenditure on materials and services used or consumed in the production of an intangible asset,
- costs of employee benefits resulting directly from the production of an intangible asset,
- legal title registration fees,
- amortization of patents and licenses that are used to generate an intangible asset.

Estimates

Depreciation rates are determined based on the expected economic useful life of intangible assets. Every year, the Group verifies the adopted useful lives based on current estimates.

The Management Board of the Parent Company assesses whether there are any indications of a possible impairment of individual assets or cash-generating units. As part of the analysis of the premises, both external factors - including, in particular, the macroeconomic environment, as well as internal factors - including strategic decisions, current financial projections and operational plans, are analyzed. The occurrence of an indication of possible impairment requires estimation of the recoverable amount.

XI. LEASING.

Determination whether a contract contains a lease

For each concluded contract, the Group decides whether the contract represents or includes a lease. A lease is defined as a contract or part of a contract that conveys the right to control use of an identified asset (the underlying asset) for a period of time in return for consideration. To this end, three main aspects are analyzed:

- Whether the contract concerns an identified asset that is either clearly or implicitly identified in the contract at the moment the asset is made available to the Group,
- whether the Group has the right to obtain substantially all economic benefits from the use of the asset throughout its useful life to the extent specified in the contract,
- whether the Group has the right to direct the use of the identified asset throughout its useful life.

Right-of-use assets

The right-of-use assets are initially recognized at cost, and then reduced by depreciation write-downs and possible impairment losses, as well as appropriately adjusted by recalculations of lease liabilities. The cost of the right-of-use asset comprises the amount of the original measurement of the lease liability, any lease payments made on or before the commencement date, less any lease incentives received, the initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee in connection with the dismantling and removal of the underlying asset. If, under the lease agreement, the ownership of the underlying asset is transferred to the Group, which acts as the lessee, at the end of the lease term or if the cost of the right-of-use asset takes into account the fact that the Group will exercise the call option, the Group shall depreciate the right-of-use asset starting from the commencement date until the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset starting from the commencement date of the lease until the end of the useful life of the asset or the end of the lease term, whichever is earlier.

Lease liabilities

On the commencement date of the lease, the Group measures the lease liability in the amount of the current value of the lease payments outstanding on that date. Due to the difficulty in determining the lease interest rate, the Group discounts the lease payments using the lessee's marginal interest rate. Lease payments comprise fixed payments (including substantially fixed lease payments) less any outstanding lease incentives; variable lease payments, which depend on the index or rate, the amount of the guaranteed residual value and sum of the call exercise price (if it can be stated with sufficient certainty that Group will use this option) as well as financial penalties for termination of the contract (if there is sufficient certainty that the Group will use this option). Variable lease payments that do not depend on an index or rate are recognized immediately as an expense in the period in which the event or condition causing the payment of the lease occurs. In subsequent periods, the lease liability is reduced by repayments made and increased by accrued interest.

In the event that the lease is modified, there is a change in the period or amount of substantially fixed lease payments or in a judgment regarding the exercise of the call option regarding the leased asset, and the lease liability is recalculated to reflect the changes described.

Determination of the marginal discount rate and the duration of the lease

Bookmaking outlet premises are leased under contracts concluded for a definite period and for an indefinite period, with contracts for an indefinite period prevailing. Leased premises constitute a significant part of the assets in the Group's financial statements. The management of the Group makes subjective judgments with regard to the marginal interest rate and the duration of the lease for contracts concluded for an indefinite period.

The lessee's marginal interest rate applied to discount cash flows resulting from premises lease contracts concluded for an indefinite period is determined on the basis of the judgment of the Group's management, based on the easily observable loan rates with a similar payment profile to the lease. For this purpose, the management of the Group analyzes the possible interest rates on loans for financing the purchase of premises based on the offers collected from the banks cooperating with the Group. The analyzed loan offers have a payment profile similar to that of leasing. Given the above, in these consolidated financial statements the Management made a judgment by setting a marginal interest rate at 2%.

When determining the duration of the lease for premises lease contracts for an indefinite period, the management of the Group, in accordance with IFRS 16, determines the lease term to the best of its knowledge, based on the available information. Circumstances affecting the calculation of the lease term, apart from the main contractual terms, include the possibility of extending and terminating the contract and the current practice in the Group. It is also analyzed whether, in the case of contracts concluded for an indefinite period with the option to terminate the lease, there is sufficient certainty that the option will be used by the lessee. The management of the Group concludes that it did not have sufficient certainty upon recognition of the lease to conclude whether the termination option will be exercised. The possible removal of the outlet is planned in advance, allowing a change in the estimate of the lease period. The Management considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise or not exercise the termination, renewal and redemption options, including any anticipated changes in facts and circumstances starting from the commencement of the lease to the exercise of the option.

In line with the practice used by the STS Group, most of the premises lease agreements concluded for a specified term are concluded for a 5-year period. The management of the Group, making a subjective assessment, also decided to treat the lease agreements for an indefinite period as those concluded for a 5-year period.

Short-term contracts and low-value assets

The Group will apply a practical exception to:

- leases concluded for a period shorter than 12 months from the commencement date of the lease,
- rental of low-value assets - rental of a warehouse.

In such case, the lease payments are recognized in the costs of the period to which they relate. At the same time, no right-of-use assets or liabilities shall be recognized.

XII. WRITE-OFFS FOR IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If such premises are present, the Group estimates the recoverable amount of individual assets. The recoverable amount of goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet fit for use is estimated each year at the same date.

The recoverable amount of assets or cash-generating units (CGU) is defined as the higher of their net realizable value and their value in use.

The Group assesses goodwill impairment by grouping cash-generating units so that the level of the organization, not higher than the separate operating segment on which the assessment is performed, reflects the lowest level of the organization at which the Group monitors goodwill for internal purposes.

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the current period.

XII. EMPLOYEE BENEFITS

Defined Benefit Plan

Liabilities and provisions for employee benefits disclosed in the statement of financial position include the following titles:

- short-term employee benefits in respect of remuneration (including bonuses) and social security contributions,
- provisions for unused holiday leaves,
- retirement benefits.

Short-term employee benefits

The value of liabilities in respect of short-term employee benefits is determined without discount and recognized in the statement of financial position in the amount due.

Provisions for unused holiday leaves

The Group creates a provision for the costs of accumulated paid absences, which it will have to incur as a result of the entitlement not used by the employees, if such entitlement had accrued as on the balance sheet date. The provision for unused holidays is a short-term provision and is not discounted.

Retirement severance pays

The Group is obliged under the applicable regulations to pay retirement benefits and disability benefits in the amount consistent with the provisions of the Labor Code. The amount of the retirement gratuity payments results from the provisions of the Labor Code in force on the day the retirement gratuity is paid.

The Group's liability resulting from the retirement benefits is calculated by estimating the amount of the employee's future remuneration in the period in which the employee will reach the retirement age and by estimating the amount of the future retirement benefit. These benefits are discounted to the present value. The discount rate is obtained based on the market rate of return on Treasury bonds at the end of the reporting period. Retirement benefit liability is recognized proportionally to the expected period of service of the employee.

The calculation is performed by an authorized actuary using the projected unit credit method. Employee turnover is estimated on the basis of historical data and forecasts of the future employment level. The effects of actuarial calculations are recognized in profit or loss.

On October 29, 2021, the Extraordinary General Meeting of STS Holding S.A. adopted a resolution on the establishment of an incentive program in the Company for the years 2021-2023 for key employees and associates of the STS Holding S.A. Group. Objectives have been defined, in connection with the implementation of which persons selected by the Management Board and the Supervisory Board will be granted subscription warrants entitling to acquire the Company's shares as part of a conditional increase in the Company's share capital, subject to the achievement of the assumed result and market objectives. The incentive program is accounted for in accordance with the principles of IFRS 2 Share-based Payments.

XIII. PROVISIONS

Provision is recognized when the Group has a present, legal or constructive obligation arising from past events, which can be reliably measured and it is probable that meeting of the obligation will result in an outflow of economic benefits. When the effect of the time value of money is significant, provisions are estimated by discounting the expected future cash flows based on a pre-tax rate that reflects current market estimates of changes in the time value of money and, if appropriate, the risk associated with a given component of liabilities.

XIII. REVENUE

Recognition and measurement of revenue from the Group's core business, i.e. revenue from plants, are regulated by IFRS 9 Financial Instruments. Sports bets staked by the Company with a customer are derivative instruments that are recognized and measured using IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments. The amounts staked are classified as financial instruments measured at fair value through profit or loss.

Revenue from bets is recognized in the statement of comprehensive income on a net basis, i.e. amounts staked are reduced by the costs of paid out winnings and the gambling and lottery tax.

In accordance with IFRS 9, profit or loss on a financial instrument measured at fair value is recognized in profit or loss, and not separately for income and related costs.

In addition, the presentation of a net betting income, i.e. the value of bets made less the costs of winnings paid out and the gambling tax, is consistent with the netting provision included in paragraph 33 of IAS 1, where an exception to the general non-netting rule included in paragraph 32 has been provided for. Under this provision, netting is allowed if it reflects the nature of the transaction or event. The specificity of placing and settling bets is that the mere acceptance of a bet from a player is not synonymous with the performance of the service; only when a sports event occurs and the bet is settled, the bookmaker service is performed and then the revenue is recognized. The essence of the transaction leading to the application of netting is that each transaction of placing and settling a bet ends in either a profit or a loss; there is no typical separation of sales revenue and cost of sales, as is the case in other entities outside the bookmaking industry.

The amounts contributed by customers towards the bets made, which have not been settled by the balance sheet date, are treated as financial liabilities constituting derivative instruments. Those liabilities are recognized in the statement of financial position in other short-term liabilities and are measured at fair value based on historical data regarding settled bets and current information available to the Group. The difference from the valuation to the fair value of liabilities arising from outstanding bets is recognized in sales revenues (value of bets placed).

Revenue from the sale of other services (mainly services related to the organization of bookmaking) and revenue from the sale of goods and materials constitute revenue from contracts with customers within the scope of IFRS 15. The method of recognizing this revenue from sales in the Group's interim consolidated historical financial information, including both the value and the timing of revenue recognition, is set out in a five-step model that includes the following steps:

- identification of the customer contract,
- identification of performance obligations,
- determination of the transaction price,
- assigning the transaction price to performance obligations,
- recognition of revenue on or after the fulfillment of performance obligations.

Identification of the customer contract

The Group recognizes a customer contract only when all of the following criteria are met:

- the parties to the contract have concluded a contract (in writing, orally or in accordance with other customary commercial practices) and are required to perform their obligations,
- The Group is able to identify the rights of each party with respect to the goods or services to be transferred,
- The Group is able to identify the terms of payment for the goods or services to be transferred,
- the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows can be expected to change as a result of the contract), and
- it is probable that the Group will receive consideration to which it is entitled in exchange for goods or services to be provided to the customer. When assessing whether the receipt of the consideration amount is probable, the Group takes into account only the customer's ability and intention to pay the consideration amount in a timely manner.

Identification of performance obligations

At the moment of concluding the contract, the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation any promise to provide the customer with a good or service (or a bundle of goods or services) that can be separated or groups of separate goods or services, which are substantially the same and for which the transfer to the customer is of the same nature.

A good or service that is promised to a customer are separate if both of the following conditions are met: - the customer may benefit from the good or service either directly or in combination with other resources that are readily available to him (i.e. the good or service may be separate); and - the Group's promise to transfer the good or service to the customer can be identified as separate from other obligations set out in the contract (i.e. the promise to transfer the good or service is separate under the contract).

Determination of the transaction price

To determine the transaction price, the Group takes into account the terms of the contract and its customary commercial practices. The transaction price shall be the amount of consideration that the Group expects to receive in exchange for the delivery of the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example VAT).

Assigning the transaction price to performance obligations

The Group assigns a transaction price to each performance obligation (or to a separate good or service) in an amount that reflects the amount of consideration that the Group expects to receive in exchange for the provision of the promised goods or services to a customer.

Recognition of revenue on or after the fulfillment of performance obligations

After the fulfillment (or during the fulfillment) of the performance obligation, the Group recognizes as revenue an amount equal to the transaction price that has been allocated to that performance obligation.

Bets concluded in a given period but settled in the next balance sheet period are recognized in the period in which they were settled.

XIV. SUBSIDIES

The subsidies received, which are the reimbursement of expenditure (costs) already incurred by the Group, are recognized as profit or loss for the current period and disclosed in other operating income on a systematic basis in the periods in which costs are recognized. The subsidies for fixed assets received by the Group are recognized in profit or loss for the current period (as other operating income) on a systematic basis over the useful life of the asset.

XV. FINANCIAL REVENUE AND EXPENSES

Financial revenue includes interest due on the funds invested by the Group, foreign exchange gains. Revenue from interest is recognized in profit or loss on an accrual basis using the effective interest rate method.

Financial expenses include interest due on debts and borrowing, unwinding the discount on provisions, losses due to exchange rate differences, write-downs due to impairment of financial assets. All expenses from interest are determined based on the effective interest rate.

Foreign exchange gains and losses are shown in the net amount as financial revenue or financial expenses, depending on their total net position.

XVI. INCOME TAX

The obligatory income tax charges on the financial result are due to the impact of current and deferred income tax. Current tax is the amount of income tax (CIT) payable (refundable) on taxable income for a given period. The value of current tax is calculated based on the tax laws and rates in force – either legally or actually – at the reporting date.

Deferred tax results from changes in the value of identified deferred tax assets and liabilities, whereby deferred tax relating to items that have been recognized directly in equity is also recognized directly in equity. Deferred tax assets and liabilities are created for all temporary differences between the book value of assets and liabilities and their tax value. Deferred tax assets and liabilities are measured using the tax rates expected to apply when the timing differences reverse, with the current tax rates used as the basis. Deferred tax assets and liabilities are netted against each other provided there is a legally enforceable right to do so and the assets and liabilities relate to income taxes imposed by the same taxing authority on the same taxpayer or on different taxpayers who intend to settle current income tax liabilities and receivables on a net basis or realize receivables and settle liabilities simultaneously.

Deferred tax assets are established for negative timing differences, or outstanding tax losses or unused tax credits that can be carried forward. Deferred tax assets are recognized only when it is probable that a taxable profit that will make it possible to realize them will be available in future periods. The fulfilment of this condition is verified at each reporting period end date.

(all figures are presented in PLN, unless otherwise stated)

03.

Explanatory notes to the consolidated financial statements

NOTE 1. REVENUE

Specification of sales revenue and total revenue are as follows:

Specification	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Continuing operations		
Betting revenue, including:	**497,393,911**	**388,813,952**
- value of amounts staked*	4,492,410,509	3,597,273,193
- value of winnings paid out	3,407,808,798	2,763,136,994
- bonuses provided to customers	67,547,636	45,222,007
- gambling and lottery tax	519,660,164	400,100,240
Revenue from sales of services	232,038	153,152
Revenue from sale of goods and materials	5,527	2,755
Total revenue from sales	**497,631,476**	**388,969,859**
Other operating revenue	4,022,222	7,894,707
Financial revenues	610,779	2,336,007
Total revenues from continuing operations	**502,264,477**	**399,200,573**
Revenue from discontinued operations	-	-
Total revenue	**502,264,477**	**399,200,573**

* The value of amounts staked represents the customer contributions received for bets placed in a given reporting period, adjusted by amounts contributed by customers in the current period for bets concluded that have not been settled by the balance sheet date, as well as by amounts contributed in the previous period and settled in the current reporting period.

(all figures are presented in PLN, unless otherwise stated)

NOTE 2. OPERATING SEGMENTS

The Group has distinguished operating segments based on sales channels. The segments shown correspond to internal reports regularly provided to key decision makers. The segments identified by the Group and their financial data are presented below.

Information on individual operating segments in the period from January 1 to December 31, 2021:

For the period from Jan 1, 2021 to Dec 31, 2021	Retail segment	Betting segment on-line	Values not assigned to segments	Total
Segment's total revenue	97,913,863	403,035,884	703,951	501,653,698
Revenue from external customers (from the sale of games and bets)	97,755,709	399,638,202	-	497,393,911
other sale	-	-	237,565	237,565
other operating revenue	158,154	3,397,682	466,386	4,022,222
Operating expenses, including:	91,858,885	215,629,948	9,661,973	317,150,806
expenses by type	*76,639,575*	*207,670,030*	*9,661,278*	*293,970,883*
amortization and depreciation	*15,219,310*	*7,959,918*	*695*	*23,179,923*
Other operating expenses	459,172	2,666,573	1,898,054	5,023,799
Segment’s operating result	5,595,806	184,739,363	-10,856,076	179,479,093
Financial revenues	-	-	610,779	610,779
Financial expenses	843,127	369,594	4,597,215	5,809,936
Profit before tax	4,752,679	184,369,769	-14,842,512	174,279,936
Income tax	-	38,494,854	-	38,494,854
Net profit on continuing operations	**4,752,679**	**145,874,915**	**-14,842,512**	**135,785,082**
Segment assets as on Dec 31, 2021	**41,423,903**	**25,270,120**	**200,159,062**	**266,853,085**
Segment liabilities as on Dec 31, 2021	**33,406,206**	**84,416,171**	**43,629,398**	**161,451,775**

Information on individual operating segments in the period from January 1 to December 31, 2020:

(all figures are presented in PLN, unless otherwise stated)

For the period from Jan 1, 2020 to Dec 31, 2020	Retail segment	On-line betting segment	Values not assigned to segments	Total
Segment's total revenue	82,991,298	313,319,073	554,195	396,864,566
Revenue from sales	78,942,589	309,871,363	-	388,813,952
Other sales	-	-	155,907	155,907
Other operating revenue	4,048,708	3,447,710	398,288	7,894,707
Operating expenses, including:	82,200,959	177,223,123	-	259,424,082
expenses by type	*68,271,540*	*169,593,461*	-	*237,865,001*
amortization and depreciation	*13,929,419*	*7,629,662*	-	*21,559,081*
Other operating expenses	324,878	1,808,145	727,516	2,860,539
Segment's operating result	465,461	134,287,805	-173,321	134,579,945
Financial revenues	-	-	2,336,007	2,336,007
Financial expenses	1,009,887	556,131	1,691,586	3,257,604
Profit before tax	-544,426	133,731,674	471,100	133,658,348
Income tax	-	30,737,315	-	30,737,315
Net profit on continuing operations	**-544,426**	**102,994,359**	**471,100**	**102,921,033**
Segment assets as on December 31, 2020	**50,276,405**	**17,834,776**	**200,350,390**	**268,461,571**
Segment liabilities as on Dec 31, 2020	**47,107,818**	**69,443,128**	**52,978,353**	**169,529,299**

NOTE 3. OPERATING EXPENSES

The operating costs specification is as follows:

Specification	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Amortization and depreciation	23,179,923	21,559,081
Personnel expenses	89,888,947	70,325,089
Marketing	69,194,938	49,634,898
Costs of organizing bookmaking services	46,310,935	39,026,203
IT expenses	29,347,167	34,545,174
Consent to the use of results	22,283,611	17,125,724

(all figures are presented in PLN, unless otherwise stated)

Administrative expenses	12,541,940	4,278,742
Property expenses	6,827,482	6,122 601
Utilities	6,552,294	5,908,885
Transport costs	3,509,722	3,937,452
Other	7,513,846	6,960,233
Total	**317,150,805**	**259,424,082**

NOTE 4. OTHER OPERATING REVENUE AND EXPENSES

The specification of other operating revenue is as follows:

Other operating revenue	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Profit on disposal of fixed assets	53,210	240,737
Subsidies	-	5,484,380
Release of write-downs of receivables	462,388	359,185
Return of free tokens (bonuses) - previous years *	1,662,047	-
Compensation	118,350	102,104
Revenue from contractual penalties	195,319	-
CIT 10Z adjustment for 2020	14,143	-
Consideration for timely payments to the Tax Office	94,200	66,066
Litigation claim from the Polish Football Association	791,760	-
Other - previous years' adjustment	-	1,538,237
Other	630,805	103,998
Total	**4,022,222**	**7,894,707**

The subsidy included in the revenue for 2020 is the amount received from the Voivodeship Labor Office from the funds of the Guaranteed Employee Benefits Fund and represents the subsidy for the salaries of employees affected by economic downtime or reduced working hours as a result of COVID 19.

In accordance with the accounting policy, free tokens - i.e. bonuses granted and closed (based on the rules of campaigns and promotions)) adjust the costs of winnings in the same period. Free tokens granted in previous years and closed in the current period are recognized in other operating income. In 2021, the amount of PLN 380 thousand of free token granted in 2019 and 1.3 million of free tokens granted in 2020 were recognized in other operating income.

(all figures are presented in PLN, unless otherwise stated)

The specification of other operating expenses is as follows:

Other operating expenses	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Write-downs for receivables	1,356,012	1,379,859
Write-downs for tangible fixed assets under construction	-	34,826
Donations	365,398	505,604
Complaints	566,077	550,192
Costs of repairs	86,094	58,794
Compensation	28,523	37,541
Penalties, fines	17,399	12,086
Adjustment of right-of-use liabilities	319,943	-
Liquidation of fixed assets	61,339	-
Enforcement and court costs	392,518	-
Other - costs from previous years	729,721	-
Other operating expenses	1,100,775	281,637
Total	**5,023,799**	**2,860,539**

STS S.A. identifies disputed receivables against Polish Football Association (PZPN) in the amount of PLN 785,759.87, resulting from the unjustified charging by PZPN of fees due to the failure by PZPN to perform the contract for the use of the results of September 27, 2011 in the period in which the football matches organized by the PZPN were not held due to the suspension of the tournament (this applies to the first and second quarter of 2020). Those receivables are written down.

NOTE 5. FINANCIAL REVENUE AND EXPENSES

The specification of financial revenue is as follows:

Financial revenues	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Revenue from interest, including:	*342,676*	*781,744*
- interest on bank deposits	46,775	781,744
- budget interest - reimbursement	235	-
- interest on loans	34,174	-
- interest on bonds	261,492	-
Exchange rate differences	-	710,145
Profits from participation in investment fund units	163,811	552,191

(all figures are presented in PLN, unless otherwise stated)

Revaluation of financial fixed assets	103,985	282,796
Other	307	9 131
Total	**610,779**	**2,336,007**

The specification of the financial expenses is as follows:

Financial expenses	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Interest on loans	129,282	543,852
Bank interest	99,842	64,325
Budget interest	30,634	5,788
Interest on court judgments	130,354	-
Other interest	15,261	72,552
Exchange rate differences	3,226,261	-
Bank fees	369,594	556,131
Interest on lease contracts	890,334	1,084,721
Valuation of shares listed on the WSE	904,520	-
Write-downs for financial assets	639	-
Other	13,215	930,235
Total	**5,809,936**	**3,257,604**

(all figures are presented in PLN, unless otherwise stated)

Disclosures of revenue, expenses, profits or losses by categories of financial instruments:

Jan 1, 2021 – Dec 31, 2021	Financial assets measured at amortized cost	Financial assets measured at fair value through financial result	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through financial result	Other assets and liabilities	Total
Revenue from interest	295,666	-	-	-	-	295,666
Interest expenses	-	-	-1,019,616	-	-130,241	-1,149,857
Profits/losses from participation in investment fund units	-	163,811	-	-	-	163,811
Exchange gains (losses)	-	-	-686,413	-	-	-686,413
Other gains/losses	-904,520	-	-	-	-	-904,520
Total profit/loss	**-608,854**	**163,811**	**-1,706,029**	**-**	**-130,241**	**-2,281,313**

Jan 1, 2020 – Dec 31, 2020	Financial assets measured at amortized cost	Financial assets measured at fair value through financial result	Financial liabilities measured at amortized cost	Financial liabilities measured at fair value through financial result	Other assets and liabilities	Total
Revenue from interest	-	-	-	-	-	-
Interest expenses	-	-	-1,628,573	-	-70,113	-1,698,686
Profits/losses from participation in investment fund units	-	552,191	-	-	-	552,191
Exchange gains (losses)	-	-	710,145	-	-	710,145
Other gains/losses	-	-	-	-	-	-
Total profit/loss	**-**	**552,191**	**-918,428**	**-**	**-70,113**	**-436,350**

In the item "Exchange gains (losses)”, a simplification was adopted by allocating all the exchange rate differences to the items of financial liabilities measured at amortized cost. In practice, some exchange rate differences should also be classified into other categories.

(all figures are presented in PLN, unless otherwise stated)

The Group also classifies revenue from financial instruments as revenue from financial instruments in accordance with section XIII Revenue in accounting policy . Revenue is recognized in Note 1.

NOTE 6. INCOME TAX AND DEFERRED INCOME TAX

The main components of the tax burden for the periods from January 1, 2021 to December 31, 2021 and from January 1, 2020 to December 31, 2020 are as follows:

Income tax shown in the interim consolidated statement of comprehensive income	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Current income tax	40,493,535	30,920,256
For the financial year	40,491,494	30,920,127
Adjustments for previous years	2,041	129
Change in deferred income tax	-1,998,681	-182,941
Associated with the emergence and reversal of temporary differences	-1,998,681	-182,941
Related to the reduction of income tax rates	-	-
Tax burden shown in net profit	**38,494,854**	**30,737,315**
Tax burden recognized in other comprehensive income	-	

The reconciliation of the effective tax rate is presented below:

	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Profit before tax	**174,279,936**	**133,658,348**
Tax at the rate of 19%	33,113,188	25,395,086
Adjustment items relating to the current year, including:	28,324,558	8,660,095
tax loss in the current year for which no assets were created due to deferred tax	25,691,681	8,372,128
revenue that is not permanent tax revenue	-6,005,899	-892,628
expenses that are not permanent tax income	8,638,776	1,180,595
Impact of the adjustment items on the current tax	5,381,666	1,645,418
Income tax	38,494,854	30,737,315
Effective tax rate	22%	23%
Tax in the statement of comprehensive income	**38,494,854**	**30,737,315**

(all figures are presented in PLN, unless otherwise stated)

The STS Holding S.A. Group does not create a deferred tax asset in relation to the tax losses presented below, incurred by the subsidiaries STS Gaming Group Ltd. and STS BET Ltd. Due to the fact that the described entities show negative financial results from the commencement of their activity, there is a great uncertainty whether the generated tax losses will be used in the future.

	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Losses of companies located in Poland	83,109	9,072
Losses of companies located in Malta	59,910,378	38,611,643
Unused tax losses from previous years for which no deferred tax asset was created - cumulative amounts	59,993,487	38,620,716
Potential tax advantage (19% rate)	15,791	1,724
Potential tax advantage (35% rate)	20,968,632	13,514,075
Total potential tax advantage	**20,984,423**	**13,515,799**

Deferred tax assets and provisions have been recognized in relation to the following assets and liabilities:

	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Deferred tax assets, including those created for:	8,414,052	10,358,748
obligations towards Social Insurance Institution (ZUS)	354,706	300,338
provisions for employee benefits	535,253	432,974
liability due to unpaid winnings	198,383	364,758
right-of-use liabilities	5,388,907	8,780,553
valuation of receivables	304,861	315,615
unpaid wages	108,414	77,163
other	225,792	64,301
provisions	1,142,405	23,046
tax loss	155,331	-
Deferred tax provisions	7,562,847	11,300,039
right-of-use assets	5,195,554	8,608,126
valuation of investments in TFI units	16,608	259,670
differences between tax and balance sheet depreciation	144,275	282,292
other	1,729,348	1,855,831
coupons staked	477,062	294,120
Net assets (provision) for deferred tax	851,205	-941,291

(all figures are presented in PLN, unless otherwise stated)

NOTE 7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders (after deducting interest on redeemable preferred shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the effect of dilutive options and dilutive redeemable preferred stock convertible into common stock)

Calculation of profit per share - assumptions	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Net profit on continuing operations	135,785,082	102,921,033
Loss on discontinued operations	-	-
Earnings per share attributable to ordinary shareholders used to calculate diluted earnings per share	135,785,082	102,921,033
Dilution effect - not applicable	-	-
The profit shown for the purpose of calculating the value of diluted earnings per share	135,785,082	102,921,033

Number of shares issued	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Weighted average number of shares shown for the purpose of calculating the value of basic earnings per share in pcs.	156,277,231	156,249,998
Dilution effect of the number of ordinary shares	-	-
Earnings per share	0.87	0.66
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	156,277,231	156,249,998
Diluted earnings per share	0.87	0.66

For the comparability of data for 2020, the number of shares was converted in accordance with the parity applied after the capital increase in 2021.

On September 10, 2021, the Extraordinary General Meeting of the Parent Company adopted Resolution No. 3 on increasing the Company's share capital by issuing series B shares for the existing shareholders of the Company. The share capital of the Company was increased by PLN 156,149,998.00 through the issue of 156,149,998 series B shares with a nominal value of PLN 1.00 per share and an issue price of PLN 19.1767091322446 per share. All shares were offered for subscription pursuant to Art. 431 para. 2 point 1 of the Commercial Companies Code, by way of a private subscription by the existing shareholders of STS Holding S.A. holding the company's shares as at the subscription rights date, in exchange for an in-kind contribution in the form of 112,150,000 series A and B registered shares of STS Spółka Akcyjna with its registered office in Katowice. The total value of the in-kind contribution was PLN 2,994,443,131.00. The capital increase was registered by the Registry Court on November 4, 2021.

On October 21, 2021, the Extraordinary General Meeting of STS Holding S.A. adopted Resolution no. 5 on increasing the Company's share capital by way of issuing series C shares, depriving the existing shareholders of the company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series C shares to trading on the regulated market kept by the Warsaw Stock Exchange.

(all figures are presented in PLN, unless otherwise stated)

The Company's share capital was increased by PLN 140,000.00 through the issue of 140,000 series C ordinary registered shares. The shares were acquired by Mr. Zdzisław Kostrubała (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00, and Mr. Marcin Walczysko (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00.
In the period from March 10 to December 31, 2021, the diluting instruments were the rights and subscription warrants allocated under the incentive scheme entitling to acquire the Parent Company's shares in the future. Information on the number of granted allowances can be found in Note 29.

NOTE 8. TANGIBLE FIXED ASSETS

Specification	Land	Buildings and structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as on Jan 1, 2021	**870,922**	**10,683,766**	**31,124,629**	**3,878,167**	**7,850,157**	**5,779,553**	**60,187,195**
Increases, due to:	-	6,956,849	4,677,724	502,439	1,021,420	9,856,278	23,014,710
- acquisition of fixed assets	-	6,948,304	4,753,824	83,685	1,021,663	9,844,944	22,652,420
- other	-	-	-	403,295	-	-	403,295
- currency translation profit (loss)	-	8,545	-76,701	15,459	-243	11,335	-41,005
Decreases, due to:	-	-	-796,765	-52,200	-197,868	-11,751,286	-12,798,119
- disposal	-	-	-	-	-	-	-
- liquidation	-	-	-796,765	-52,200	-197,868	-	-1,046,833
- acceptance for fixed assets	-	-	-	-	-	-11,751,286	-11,751,286
Gross carrying amount as on December 31, 2021	**870,922**	**17,640,615**	**35,005,588**	**4,328,406**	**8,673,708**	**3,884,546**	**70,403,785**
Redemption as on Jan 1, 2021	-	-724,415	-27,075,282	-1,891,153	-7,502,299	-	-37,193,450
Increases, due to:	-	-602,424	-3,071,544	-1,014,863	-311,147	-	-4,999,979
- amortization and depreciation	-	-601,926	-2,961,709	-994,856	-310,667	-	-4,869,158
- currency translation profit (loss)	-	-498	71,180	-20,007	-480	-	50,195
Decreases, due to:	-	-	761,828	52,200	171,466	-	985,494
- sale and liquidation	-	-	761,828	52,200	171,466	-	985,494
Redemption as on December 31, 2021	-	-1,327,140	-29,384,999	-2,853,816	-7,641,980	-	-41,207,935
Write-downs as on Jan 1, 2021	-	-	-	-	-	-34,826	-34,826
Write-downs as on Dec 31, 2021	-	-	-	-	-	-	-
Advance for tangible fixed assets under construction	-	-	-	-	-	2,449,910	2,449,910
Net carrying amount as on December 31, 2021	870,922	16,313,476	5,620,589	1,474,590	1,031,728	6,334,456	31,645,761
Transfer of leased assets to right-of-use assets		**-17,017**	-	**-1,078,525**	-	-	**-1,095,542**

(all figures are presented in PLN, unless otherwise stated)

Net carrying amount as on December 31, 2021 after the transfer	**870,922**	**16,296,458**	**5,620,589**	**396,065**	**1,031,728**	**6,334,456**	**30,550,219**

Specification	Land	Buildings and structures	Plant and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Gross carrying amount as on Jan 1, 2020	870,922	10,683,766	28,040,466	3,610,159	7,563,752	307,639	51,076,705
Increases, due to:	-	-	3,526,716	882,206	542,733	9,107,353	14,059,008
- acquisition of fixed assets	-	-	2,661,722	882,001	523,987	9,107,353	13,175,113
- improvement	-	-	-	-	-	-	-
- other	-	-	9,496	-	-	-	9,496
- finance lease	-	-	706,234	-	-	-	706,234
Currency translation profit/(loss) on the financial statements of foreign entities	-	-	149,214	205	18,746	-	168,165
Decreases, due to:	-	-	-422,553	-614,198	-256,328	-3,635,439	-4,948,518
- disposal	-	-	-443,864	-597,704	-255,488	-	-1,297,057
- liquidation	-	-	-	-15,804	-	-	-15,804
- other	-	-	-	-689	-840	-	-1,529
- transferred for use	-	-	-	-	-	-3,635,439	-3,635,439
Currency translation profit/(loss) on the financial statements of foreign entities	-	-	1,311	-	-	-	1,311
Gross carrying amount as on December 31, 2020	870,922	10,683,766	31,124,629	3,878,167	7,850,157	5,779,553	60,187,195
Redemption as on Jan 1, 2020	-	-329,416	-23,388,377	-1,346,847	-7,102,950	-	-32,167,590
Increases, due to:	-	-395,299	-4,126,109	-1,158,503	-655,678	-	-6,335,589
- amortization and depreciation	-	-395,299	-3,870,524	-967,338	-651,744	-	-5,884,906
other	-	-	-138,479	-191,165	-	-	-329,644
Currency translation profit/(loss) on the financial statements of foreign entities	-	-	-117,105	-	-3,934	-	-121,039
Decreases, due to:	-	-	439,203	614,198	256,328	-	1,309,728
- sale and liquidation	-	-	439,203	613,509	255,488	-	1,308,200
- other	-	-	-	689	840	-	1,529
Redemption as on December 31, 2020	-	-724,715	-27,075,283	-1,891,153	-7,502,299	-	-37,193,450

(all figures are presented in PLN, unless otherwise stated)

Write-downs as on Jan 1, 2020		-	-	-	-	-	-
Write-downs as on Dec 31, 2019	-	-	-	-	-	-34,826	-34,826
Advances for tangible fixed assets under construction	-	-	-	-	-	375,492	375,492
Net carrying amount as on December 31, 2020	870,922	9,959,051	4,399,347	1,987,014	627,857	6,120,219	23,964,410
Transfer of leased assets to right-of-use assets	-	-	-	-1,987,014	-	-	-1,987,014
Net carrying amount as on December 31, 2020 after the transfer	**870,922**	**9,959,051**	**4,399,347**	**0**	**627,857**	**6,120,219**	**21,977,396**

Other information

In the reporting period, there were no indications of impairment of tangible fixed assets.

In the reporting period, the Group did not activate borrowing costs.

(all figures are presented in PLN, unless otherwise stated)

NOTE 9. RIGHT-OF-USE ASSETS

Right-of-use assets

Under finance lease agreements, the Group uses premises for the purposes of operating betting points, technical equipment and cars. The lease contracts were concluded for 2-5 years, depending on the lease contract (24-60 monthly installments).

At the end of the reporting period, the net value of the right-of-use assets was:

Specification	Dec 31, 2021	Dec 31, 2020
Technical equipment and machines	-	216,603
Means of transport	1,078,525	1,987,014
PWUG	595,408	604,164
Leased premises	37,249,864	43,102,303
Total	**38,923,797**	**45 910,084**

Technical equipment and machinery as well as means of transport are also a security for leasing liabilities. In connection with the lease agreements, the Group issued promissory notes as security.

Rights to use assets related to premises, lease of technical equipment and cars, and the right of perpetual usufruct of land

(all figures are presented in PLN, unless otherwise stated)

Specification	Technical equipment and machines	Means of transport	Right of perpetual usufruct	Leased premises	Total
Gross carrying amount as on Jan 1, 2021	**703,960**	**3,618,388**	**621,676**	**85,457,782**	**90,401,806**
Increases	-	69,350	-	10,447,874	10,517,224
Decreases	703,960	359,184	-	3,354,904	4,418,048
Gross carrying amount as on December 31, 2021	**-**	**3,328,554**	**621,676**	**92,550,753**	**96,500,983**
Redemption as on Jan 1, 2021	487,357	1,631,373	17,512	42,355,479	44,491,722
Increases, due to:	-	618,656	8,756	12,945,409	13,085,464
-	-	994,856	8,756	16,300,312	17,303,924
Decreases	487,357	376,200	-	3,354,904	4,218,461
Redemption as on December 31, 2021	-	2,250,029	26,268	55,300,889	57,577,186
Write-downs	-	-	-	-	-
Net carrying amount as on December 31, 2021	**-**	**1,078,525**	**595,408**	**37,249,864**	**38,923,797**

Specification	Technical equipment and machines	Means of transport	Right of perpetual usufruct	Leased premises	Total
Gross carrying amount as on Jan 1, 2020	**703,960**	**3 188,498**	**621,676**	**85 505,355**	**90 019,489**
Increases	-	907,790	-	2,533,123	3,440,913
Decreases	-	477,900	-	2 580,696	3 058,596
Gross carrying amount as on December 31, 2020	**703,960**	**3 618,388**	**621,676**	**85 457,782**	**90 401,806**
Redemption as on Jan 1, 2020	162,452	921,837	8,756	28 889,474	29,982,519
Increases, due to:	324,905	952,736	8,756	16,046,701	17,333,098
-	324,905	952,736	8,756	16,046,701	17,333,098
Decreases	-	243,200	-	2 580,696	2 823,896
Redemption as on December 31, 2020	487,357	1,631,373	17,512	42 355,479	44 491,721
Write-downs	-	-	-	-	-
Net carrying amount as on December 31, 2020	**216,603**	**1 987,015**	**604,164**	**43 102,302**	**45 910,084**

(all figures are presented in PLN, unless otherwise stated)

The Group does not recognize liabilities due to short-term leases and leases with low-value underlying assets. In addition, the value of lease liabilities does not include contingent lease payments depending on factors other than an index or rate. The relevant costs were as follows:

	from Jan 1 to Dec 31, 2021	from Jan 1 to Dec 31, 2020
Short-term lease	33,653	92,309
Low-value asset lease	5,923	5,993
Variable lease payments not included in lease liabilities	-	-
Total costs	**39,576**	**98,302**

NOTE 10. INTANGIBLE ASSETS

Changes in intangible assets are presented in the tables below:

Status as on Dec 31, 2021:

Specification	IT platform to handle bookmaker transactions	Other intangible and legal assets	Intangible assets under construction	Total
Gross carrying amount as on Jan 1, 2021	8,499,227	3,246,315	-	11,745,542
Increases, due to:	-	121,936	364,525	486,461
- acquisition		121,936	364,525	486,461
Decreases, due to:	-	-223,398	-115,345	-338,743
- adoption of WNIP for use	-	-	-115,345	-115,345
- liquidation or sale	-	-223,398	-	-223,398
Gross carrying amount as on December 31, 2021	**8,499,227**	**3,144,853**	**249,180**	**11,893,260**
Redemption as on Jan 1, 2021	-283,308	-2,940,668	-	-3,223,976
Increases, due to:	-849,923	-253,873	-	-1,103,796
- amortization and depreciation	-849,923	-253,873	-	-1,103,796
Decreases, due to:	-	223,398	-	223,398
- liquidation or sale	-	223,398	-	223,398
Redemption as on December 31, 2021	-1,133,231	-2,971,143	-	-4,104,374
- currency translation profit/(loss) on the financial statements of foreign entities	-	-871	-	-871
Net carrying amount as on December 31, 2021	**7,365,996**	**172,839**	**249,180**	**7,788,015**

(all figures are presented in PLN, unless otherwise stated)

Status as on Dec 31, 2020:

Specification	IT platform to handle bookmaker transactions	Other intangible and legal assets	Intangible assets under construction	Total
Gross carrying amount as on Jan 1, 2020	-	2 896,900	-	2 896,900
Increases, due to:	8 499,227	349,415	-	8 848,642
- acquisition	-	313,359		313,359
- other - connection with Betsys s.r.o.	8 499,227	-	-	8 499,227
- currency translation profit/(loss) on the financial statements of foreign entities	-	36,056	-	36,056
Decreases, due to:	-	-	-	-
- liquidation or sale	-	-	-	-
Gross carrying amount as on December 31, 2020	8 499,227	3,246,315	-	11,745,542
Redemption as on Jan 1, 2020	-	-2,618,335	-	-2,618,335
Increases, due to:	-283,308	-322,333	-	-605,641
- amortization and depreciation	-283,308	-301,054	-	-584,362
- currency translation profit/(loss) on the financial statements of foreign entities	-	-21,279	-	-21279
Decreases, due to:	-	-	-	-
- liquidation or sale	-	-	-	-
Redemption as on December 31, 2020	- 283,308	-2 940,668	-	-3 223,976
Net carrying amount as on December 31, 2020	**8 215,919**	**305,647**	**0**	**8 521,566**

NOTE 11. OTHER FINANCIAL ASSETS

Other financial assets	Dec 31, 2021	Dec 31, 2020
Financial assets measured at fair value through financial result - investment fund participation units, including:	5,177,461	113,024,692
- classified as non-current assets	4,159,622	15,442,292
- classified as current assets	1,017,839	97 582,400
Financial assets measured at amortized cost - corporate bonds, including:	6,387,224	6,250,331
- classified as non-current assets	6,387,224	6,250,331

(all figures are presented in PLN, unless otherwise stated)

- classified as current assets	-	-
Total	**11,564,685**	**119 275,023**

NOTE 12. LONG-TERM RECEIVABLES AND LONG-TERM PREPAYMENTS

Specification	Dec 31, 2021	Dec 31, 2020
Deposits resulting from premises lease agreements	1,858,714	1,786,018
Permits to run bookmaking activities settled over time - long-term component	959,285	934,224
Total	**2,817,999**	**2,720,242**

NOTE 13. TRADE AND OTHER RECEIVABLES

Specification	Dec 31, 2021	Dec 31, 2020
Trade receivables:	1,604,779	3,280,412
- related entities	-	-
- other entities	1,604,779	3,280,412
Write-downs for expected losses	958,806	912,073
- related entities	-	-
- other entities	958,806	912,073
Gross trade receivables	**2,563,585**	**4,192,485**

(all figures are presented in PLN, unless otherwise stated)

Change in the balance of write-downs on the value of trade receivables due to expected credit losses:

Specification	Dec 31, 2021	Dec 31, 2020
Related entities		
Balance of write-downs on the value of trade receivables due to expected losses at the beginning of the period	-	-
Increases	-	-
Decreases	-	-
The balance of write-downs for the expected losses of trade receivables from related entities at the end of the period	-	-
Other entities		
State of write-downs on trade receivables due to expected losses at the beginning of the period	912,073	56,411
Increases, including:	46,733	912,073
- write-downs for overdue and disputed receivables	46,733	912,073
Decreases, including:	-	56,411
- reversal of write-downs in connection with the repayment of receivables	-	56,411
State of write-downs on trade receivables due to expected losses from other entities at the end of the period	**958,806**	**912,073**
State of write-downs on trade receivables due to expected total losses at the end of the period	**958,806**	**912,073**

Other receivables:

Specification	Dec 31, 2021	Dec 31, 2020
Other receivables, including those due to:		
- taxes	5,122,147	2,323,798
- settlements with employees	386,591	94,289
- deposit	23,025	140,770
- loans	8,826	226,044
- settlements with payment providers	6,871	1,188,097
- advance payments	248,145	1,424,092
- cash blockade	6,008,115	-
- other	48,149	35,017
Other net receivables	**11,851,869**	**5,432,107**

By the decision of the District Prosecutor's Office in Ostrów Wielkopolski of August 11, 2021 (later amended), file ref.: PO I Ds. 57.2021, the funds in one of STS S.A.'s bank accounts were blocked up to the amount of: PLN 6,008,115.09 in connection with the suspicion of committing a money laundering offence by one of the customers of STS S.A. staking amounts with STS S.A. The decision was implemented by blocking the funds accumulated on the account of STS S.A. at mBank S.A. (pursuant to Art. 86 sec. 10 in conjunction with sections 9 and 11 of the Act on counteracting money laundering and terrorist financing). The blockade was established for a period of 6 months, i.e. until February 11, 2022. The complaint of STS S.A. against the above-mentioned blockade was dismissed on November 8, 2021 by the Regional Court in Kalisz. The blockade of the account was then changed by the order of the District Prosecutor's Office in Ostrów Wielkopolski of November 3, 2021, which established security on the property of the suspect threatened to forfeit it to the State Treasury, of the financial benefit resulting from the crime or return to the victim of the financial benefit that the perpetrator obtained from the committed crime, through the seizure of property in the form of funds from the crime and accumulated on the above-mentioned a bank account kept for STS S.A.

(all figures are presented in PLN, unless otherwise stated)

STS S.A. is neither a direct nor an indirect perpetrator of the act being the subject of the proceedings under file reference number PO 1 Ds. 57.2021, and therefore, according to the Management Board, taking such strict actions by the Public Prosecutor's Office in relation to STS S.A. is disproportionate and pointless. At the moment, it is difficult to determine the chances of STS to release the above-mentioned secured amount, as STS S.A. is not a party to the preparatory proceedings under which the blockade was established and then the property was secured. Until the customer's criminal case is legally resolved, STS S.A. is not entitled to any additional legal remedies allowing questioning of the Prosecutor's Office's decision concerning the security.

Change in the balance of write-downs on the value of other receivables:

Specification	Dec 31, 2021	Dec 31, 2020
Other entities		
Balance of write-downs on the value of other receivables at the beginning of the period	745,713	694,457
Creation/termination of revaluation write-downs	859,923	51,256
Balance of write-downs on the value of other receivables at the end of the period	**1,605,636**	**745,713**

The table below presents the specification of short-term prepayments:

Specification	Dec 31, 2021	Dec 31, 2020
Short-term prepayments and accruals, including:	**2,947,614**	**1,172,688**
- Operating expenses settled over time	788,787	401,736
- Permits to operate	390,809	375,644
- Property insurance	116,289	95,608
- Transport insurance	53,625	69,191
- Deferred costs	1,375,486	86,085
- Other (sum of irrelevant items)	222,619	144,424

NOTE 14. CASH AND CASH EQUIVALENTS

Specification	Dec 31, 2021	Dec 31, 2020

Cash in hand	3,270,124	2,752,109
Cash at banks	107,526,107	36 693,542
Deposits	31,931,873	4 796,534
Cash in transit	3,705,066	4,410,086
Total	**146,433,170**	**48 652,271**

Cash and cash equivalents by currency:

Specification	Dec 31, 2021	Dec 31, 2020
PLN	128,007,002	34,729,097
EUR	8,428,895	9,175,492
GBP	1,098,094	3,035,862
CZK	8,686,579	1,670,846
USD	19,065	40,974
CHF	22,242	-
CAD	171,294	-
Total	**146,433,170**	**48,652,271**

Cash at bank accounts bears the interest at variable interest rates the level of which depends on the interest rate of one-day bank deposits. Short-term deposits are provided for periods of various lengths depending on the Group’s current demand for cash, and bear interest at applicable interest rates. The fair value of cash is equal to the carrying amount.

The Group's exposure to interest rate risk and the sensitivity analysis for financial assets and liabilities are presented in Note 25.

NOTE 15. SHARE CAPITAL

The share capital structure by share series as on December 31, 2021 is as follows:

Series/issue of shares	Type of share preference	Type of restriction of rights to shares	Number of shares	Unit value	Value of series / issue at nominal value	Form of capital contributions
A	None	None	100,000	1	100,000.00	Cash
B	None	None	156,149,998	1	156,149,998.00	In-kind contribution
C	None	None	140,000	1	140,000.00	Cash
Total	**x**	**x**	**156,389,998**	**x**	**156,389,998.00**	**x**

The company STS Holding SA was established on March 10, 2021 by Vistra Shelf Companies sp. z o.o., , under the business name of Vartomil Investments Spółka Akcyjna (hereinafter: Vartomil Investments S.A.). The company was based in Warsaw, ul. Towarowa 28, and was entered in the Register of Enterprises kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register under KRS number: 0000898108.

On June 10, 2021, the company's shares were acquired by the following companies: Betplay Capital sp. z o.o. (former: Betplay International sp. z o.o.), Juroszek Investments sp. z o.o. and MJ Investments sp. z o.o.

(all figures are presented in PLN, unless otherwise stated)

On September 10, 2021, the Extraordinary General Meeting of the Parent Company adopted Resolution No. 3 on increasing the Company's share capital by issuing series B shares for the existing shareholders of the Company. The share capital of the Company was increased by PLN 156,149,998.00 through the issue of 156,149,998 series B shares with a nominal value of PLN 1.00 per share and an issue price of PLN 19.1767091322446 per share. All shares were offered for subscription pursuant to Art. 431 para. 2 point 1 of the Commercial Companies Code, by way of a private subscription by the existing shareholders of STS Holding S.A. holding the company's shares as at the subscription rights date, in exchange for an in-kind contribution in the form of 112,150,000 series A and B registered shares of STS Spółka Akcyjna with its registered office in Katowice. The total value of the in-kind contribution was PLN 2,994,443,131.00.

The capital increase was registered by the Registry Court on November 4, 2021.

On October 21, 2021, the Extraordinary General Meeting of STS Holding S.A. adopted Resolution no. 5 on increasing the Company's share capital by way of issuing series C shares, depriving the existing shareholders of the company of all pre-emptive rights and registering the Company's shares in the depository of securities kept by the National Depository for Securities and applying for admission and introduction of series C shares to trading on the regulated market kept by the Warsaw Stock Exchange. The Company’s share capital was increased by PLN 140,000.00 through the issue of 140,000 series C ordinary registered shares. The shares were acquired by Mr. Zdzisław Kostrubała (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00, and Mr. Marcin Walczysko (member of the Company's Management Board) in the number of 70,000 shares, in exchange for a cash contribution of PLN 70,000.00.

The share capital structure by shareholders holding more than 5% of votes at the General Meeting of Shareholders as on December 31, 2021 is as follows:

Shareholders	Number of shares	Nominal value of shares (PLN)	Participation in share capital (%)	Number of votes	Share in the total number of votes at the General Meeting of Shareholders (%)
Mateusz Juroszek and Zbigniew Juroszek, including:	109,375,000	PLN 109,375,000.00	69.94%	109,375,000	69.94%
Juroszek Holding sp. Z o.o.	*52,628,313*	*PLN 52,628,313.00*	*33.65%*	*52,628,313*	*33.65%*
MJ Investments sp. z o.o.	*39,699,901*	*PLN 39,699,901.00*	*25.39%*	*39,699,901*	*25.39%*
Betplay Capital sp. z o.o.	*17,046,786*	*PLN 17,046,786.00*	*10.90%*	*17,046,786*	*10.90%*
Norges Bank	10,145,400	PLN 10,145,400.00	6.49%	10,145,400	6.49%
Nationale Nederlanden Powszechne Towarzystwo Emerytalne S.A.	9,375,000	PLN 9,375,000.00	5.99%	9,375,000	5.99%
Others	27,494,598	PLN 27,494,598.00	17.58%	27,494,598	17.58%
Total:	**156,389,998**	**PLN 156,389,998.00**	**100.00 %**	**156,389,998**	**100.00 %**

NOTE 16. DIVIDENDS PAID AND PROPOSED FOR PAYMENT

The Parent Company did not pay any dividends in 2021.

(all figures are presented in PLN, unless otherwise stated)

In the consolidated statement of changes in equity, the Group presents the payment of dividends in the amount of PLN 119 million with regard to the payment of dividends by the subsidiary STS S.A. for the previous owners of the Company.

NOTE 17. CAPITAL ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Capital attributable to non-controlling interests concerning Betsys s.r.o.

Specification	Dec 31, 2021
Opening Balance	4 788,003
Taking up shares	-
Share in the net result	4,447,427
Other	-5 773,668
Other comprehensive income	-
Total	**3,461,762**

Information on non-controlling interests and summarized financial information:

Specification	Dec 31, 2021 Betsys s.r.o.
Non-controlling interest (%)	26%
Non-controlling interest at the end of the reporting period	3,461,762
Financial result attributable to non-controlling interests	4,447,427
CURRENT ASSETS	20,922,221
Fixed assets	257,300
Current liabilities	3,736,784
Non-current liabilities	-
Revenue from sales	48,539,006
Financial result	4,447,427

(all figures are presented in PLN, unless otherwise stated)

NOTE 18. LIABILITIES DUE TO CREDITS AND LOANS

The table presents the specification of credits and loans.

Specification	Dec 31, 2021	Dec 31, 2020
Overdrafts	-	-
Bank loans	-	-
Loans	-	6,687,850
Total credits and loans, including:	**-**	**6 687,850**
- long-term	-	-
- short-term	-	6,687,850

The balance as at December 31, 2020 in the amount of PLN 6,687.850.00 consists of short-term loans received by the subsidiary STS.BET Limited from its related party Betplay Capital sp. z o.o. No security has been established for the loans. All borrowings bear interest at a fixed interest rate (3.5%). The currency of the loans is PLN (PLN 1.385 million) and EUR (PLN 1.135 million). During 2021, STS S.A. assumed the rights and obligations of the lender by way of assignment. The loan liability was repaid by the assignee to Betplay Capital sp. z o.o.

NOTE 19. RIGHT-OF-USE LIABILITIES

The Group uses finance lease by renting cars, technical equipment and machinery as well as commercial premises.

Financial lease data are presented in the tables below.

Specification	Dec 31, 2021	Dec 31, 2020
Payable within 1 year	17,373,996	15,395,485
Payable within over 1 year	22,630,266	31,504,153
Total financial liabilities	**40,004,262**	**46,899,638**

	Dec 31, 2021		Dec 31, 2020	
Specification	Minimum fees	Current value of the fees	Minimum fees	Current value of the fees
Within 1 year	17,845,041	17,373,996	15,738,890	15,395,485
In the period from 1 to 5 years	24,892,038	22,630,266	26,771,339	25,397,718
Over 5 years	-	-	6,925,949	6,106,435
Total minimum lease payments	**42,737,078**	**40,004,262**	**49,436,179**	**46,899,638**
Future interest expense (negative value)	-2,732,816	-	-2,536,541	-
Current value of the lease fees, including:	**40,004,262**	**40,004,262**	**46,899,638**	**46,899,638**
- short-term	17,373,996	17,373,996	15,395,485	15,395,485
- long-term	22,630,266	22,630,266	31,504,153	31,504,153

(all figures are presented in PLN, unless otherwise stated)

NOTE 20. TRADE LIABILITIES

Specification	Dec 31, 2021	Dec 31, 2020
Trade liabilities	**16,236,637**	**27,047,960**
Including liabilities towards related entities	-	-
Including liabilities towards other entities	16,236,637	27,047,960

20.1 Age structure of trade and other short-term liabilities (including CIT liabilities):

Specification	Dec 31, 2021	Dec 31, 2020
not overdue	118,255,923	108,189,182
overdue, including:	188,728	4 477,053
0 - 90 days	188,728	4 263,322
91 - 180 days	-	109,682
181 - 360 days	-	7,418
over 360 days	-	96,631
TOTAL:	**118,444,651**	**112 666,235**

20.2 Currency structure of trade and other short-term liabilities (including CIT):

Specification	Dec 31, 2021	Dec 31, 2020
PLN	102,799,969	103,776,429
EUR	7,847,775	5,021,104
CZK	3,731,145	3 637,644
USD	1,936,459	-
GBP	1,674,916	201,958
Other	454,388	29,100
TOTAL:	**118,444,651**	**112 666,235**

(all figures are presented in PLN, unless otherwise stated)

20.3 Maturity dates of short-term liabilities as on December 31, 2021:

Specification	up to 1 month	from 1 month up to 3 months	from 3 months up to 1 year	Over 1 year	Total
Trade liabilities	15,859,181	22,705	164,291	1,732	16,047,909
Public law liabilities	59,874,112	-	-	-	59,874,112
Payroll liabilities	4,683,056	-	-	-	4,683,056
Other liabilities	37,839,574	-	-	-	37,839,574
TOTAL:	**118,255,923**	**22,705**	**164,291**	**1,732**	**118,444,651**

20.4 Maturity dates of short-term liabilities as on December 31, 2020:

Specification	up to 1 month	from 1 month to 3 months	over 3 months up to 1 year	Over 1 year	Total
Trade liabilities	24,207,213	2,627,017	117,100	96,630	27 047,960
Public law liabilities	56,068,173	-	-	-	56,068,173
Payroll liabilities	3 936,063	-	-	-	3 936,063
Other liabilities	25,614,039	-	-	-	25,614,039
TOTAL:	**109 825,488**	**2 627,017**	**117,100**	**96,630**	**112 666,235**

NOTE 21. GUARANTEES AND SURETIES GRANTED

STS S.A. submitted blank promissory notes with a promissory note declaration as security for liabilities under overdraft agreements with mBank for the amount of PLN 25 million (the agreement was valid until May 25, 2021) and with PKO BP SA for the amount of PLN 50 million (the agreement was valid until July 21, 2021). Those securities have been released.

On May 27, 2021, an overdraft facility agreement was entered into by: mBank SA (Bank), and STS SA. and Betplay Capital sp. z o.o. (former Betplay International sp. z o.o.) (Borrowers).

The Bank granted to the Borrowers an overdraft facility in the amount not exceeding PLN 40 million to finance the borrowers' current operations. The Borrowers may use the loan in the period from May 28, 2021 to May 26, 2022. The Bank may increase the loan amount up to PLN 70 million on the basis of an instruction to increase the loan, indicating the amount and repayment date of the increased financing, however, not later than May 27, 2022. Sublimits of the Borrowers are as follows: STS S.A. has a limit of PLN 70 million, while Betplay Capital sp. z o.o. has a limit of PLN 20 million. The loan is secured with blank promissory notes issued by both borrowers.

On September 2, 2021, a multi-purpose overdraft limit agreement was concluded between: Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, and STS S.A. and Betplay Capital sp. z o.o. (former Betplay International sp. z o.o.) (Borrowers).

The Bank granted the Borrowers a multi-purpose overdraft limit in the amount of PLN 50 million for financing the current operations of the Borrowers. The Borrowers may use the loan in the period from September 2, 2021 to May 31, 2022. Sublimits of the Borrowers are as follows: STS S.A. has a limit of PLN 50 million, while Betplay Capital sp. z o.o. has a limit of PLN 20 million. The total amount of the loan used for the Borrowers may not exceed PLN 50 million. The loan is secured with blank promissory notes issued by both borrowers as well as civil law sureties of: Zbigniew Juroszek to the amount of PLN 75 million and Mateusz Juroszek to the amount of PLN 75 million.

(all figures are presented in PLN, unless otherwise stated)

As on the balance sheet date, December 31, 2021, and as on the date of these consolidated financial statements, STS S.A. has not used the credit lines granted.

In addition, STS S.A. had a contractual mortgage on real estate - the right of perpetual usufruct of land and ownership of a building - in the amount of PLN 29 million established in favor of ING Bank Śląski SA with its seat in Katowice for the company ATAL S.A. The entry on the removal of the mortgage was made on October 6, 2021.

STS S.A. is a party to a aircraft lease agreement, with the parent company - Betplay Capital Sp. z o. o. (former Betplay International sp. z o. o. - BI) with its seat in Katowice as the lessee and mLeasing Sp. z o.o. as the lessor. It is a tripartite agreement where STS S.A. acts as a guarantor of blank promissory notes issued by BI to secure the agreement and STS S.A. will be jointly and severally liable if BI ceases to make lease payments under the contract with conditional assumption of rights and responsibilities. The total value of the leased assets is PLN 37 million in the case of the aircraft lease agreement regarding the EMBRAER PHENOM 300E jet aircraft of December 7, 2020, monthly lease payment of PLN 520 thousand, lease period: 5 years.

NOTE 22. OTHER LIABILITIES

Specification	Dec 31, 2021	Dec 31, 2020
Liabilities due to other taxes, duties, social security and others, except for corporate income tax, including:	59,874,125	56 678,595
- gambling and lottery tax	45,965,530	43 938,762
- personal income tax	2,928,986	3 037,099
- public law settlements	3,904,607	3 290,059
- CIT liabilities	2,923,304	5 779,647
- tax on goods and services (VAT)	3,684,479	633,028
- other	467,219	-
Other liabilities, including:		
payroll liabilities to employees, including:	4,683,056	4 037,408
- under an employment contract	4,096,650	3,542,221
- under the contract of mandate	516,388	379,753
- other	70,018	115,434
other liabilities, including:	35,651,852	23,639,130
Deposits	16,651,638	12,408,374
Bonuses	12,402,110	9 723,443
Negative deposit balance	-	442,807
Costs related to 2020, invoiced in 2021.	-	365,443
Provisions for future expenses	5,994,519	78,051
Employee capital plans (PPK)	119,997	-
Settlements with employees	88,555	54,599

(all figures are presented in PLN, unless otherwise stated)

Insurances	64,491	208,428
- cash in transit - online withdrawals	-	-
Other	330,542	357,985
Pending bets	1,908,250	1,176,481
Special funds	90,731	86,661
Other	-	-
Other liabilities in total	**102,208,014**	**85 618,275**

NOTE 23. PROVISIONS FOR PENSIONS AND SIMILAR BENEFITS

Change in provisions for employee benefits:

Specification	Provisions for retirement and pension gratuities	Provisions for unused holiday leaves
Status as on Jan 1, 2020	**352,386**	**1 822,457**
Establishment/update of a provision	434,501	1,844,310
Costs of benefits paid (provision used)	-	-1,822,457
Provision release	-352,386	-
Status as on Dec 31, 2020, including:	434,501	1,844,310
- long-term	434,501	-
- short-term	-	1,844,310
Status as on Jan 1, 2021	**434,501**	**1 844,310**
Establishment/update of a provision	524,878	2,292,807
Costs of benefits paid (provision used)	-	-
Provision release	-434,501	1,844,310
Status as on Dec 31, 2021, including:	**524,878**	**2,292,807**
- long-term	524,878	-
- short-term	-	2,292,807

(all figures are presented in PLN, unless otherwise stated)

NOTE 24. OTHER PROVISIONS

Information on other provisions is presented in the tables below.

Specification	Dec 31, 2021	Dec 31, 2020
Other, including the provision for the audit of the financial statements		
- short-term	**185,177**	**55,474**

Change in the balance of provisions:

Specification	Other provisions - short-term
Status as on Jan 1, 2020	**95,694**
Created during the financial year	55,474
Used	-95,694
Released	-
Status as on Dec 31, 2020	**55,474**
Created during the financial year	348,757
Used	-43,050
Released	-176,004
Status as on Dec 31, 2021	**185,177**

NOTE 25. FINANCIAL INSTRUMENTS

The allocation of financial assets and financial liabilities to the categories of financial instruments listed in IFRS 9 is as follows:

Item	Dec 31, 2021	Dec 31, 2020	Instrument category under IFRS 9
Assets			
Non-current prepayments and non-current accrued income, including:	2,817,999	2,720,242	
- deposit receivables	1,858,713	1,786,018	AZK
Other long-term and short-term financial assets, including:	11,564,685	119,275,023	
- investment fund participation units	4,159,622	113,024,692	AWF
- shares of a company listed on the WSE	1,017,839	-	AWF
- corporate bonds	6,387,224	6,250,331	AZK
Trade receivables:	1,604,779	3,280,412	AZK

(all figures are presented in PLN, unless otherwise stated)

Other (short-term) receivables, including:	14,799,482	5,432,107	
- tax receivables (other than financial instruments)	5,122,147	2 323,798	
- other receivables	9,677,335	3,108,309	AZK
Cash and cash equivalents, including:	146,433,170	48,652,271	AZK
- deposits	31,616,873	4 796,534	
Commitments			
Right-of-use liabilities (long- and short-term)	40,004,262	46 899,638	ZZK
Other long-term liabilities	-	-	
Credits and loans	-	6,687,850	ZZK
Trade liabilities	16,236,637	27 047,960	ZZK
Other liabilities, including:	102,208,014	85,618,275	
- public law liabilities (other than financial instruments)	59,874,124	56 678,595	
- liabilities to customers for deposits, bonuses and pending bets, including:	30,961,998	23,751,106	ZWF + ZZK
liabilities due to pending bets	*1,908,250*	*1,176,481*	*ZWF*
- payroll liabilities	4,683,056	4 037,408	
- other liabilities	6,688,836	1,151,166	ZZK

Financial instrument categories under IFRS 9 (key to symbols):

- AZK - financial assets measured at amortized cost,
- AWF - financial assets measured at fair value through financial result,
- ZZK - Financial liabilities measured at amortized cost,
- ZWF - financial liabilities measured at fair value through financial result.

As on December 31, 2021 and on December 31, 2020, the Group did not have any financial assets measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss include only items that are compulsorily classified in this category in accordance with IFRS 9.

Only the financial liabilities that meet the definition of liabilities held-for-trading according to IFRS 9 are classified as financial liabilities measured at fair value through profit or loss.

Credit risk

The carrying amounts of financial assets correspond to the maximum exposure to credit risk. The Group is exposed to credit risk arising from its operating activities, mainly from trade receivables.

The Group concludes transactions with related entities, therefore the credit risk in this respect is limited due to the possibility of exercising control over subsidiaries and the ease of obtaining information about their financial situation.

The age structure and the amount of write-downs due to expected credit losses for long-term receivables, trade receivables and other receivables (financial assets) on individual balance sheet days are presented in the tables below.

(all figures are presented in PLN, unless otherwise stated)

Long-term receivables:

Specification	Dec 31, 2021 Gross Value	Dec 31, 2021 Write-offs for expected credit losses	Dec 31, 2020 Gross Value	Dec 31, 2020 Write-offs for expected credit losses
Not due	1,858,713	-	1,786,018	-
Overdue from 0-90 days	-	-	-	-
Overdue from 91-180 days	-	-	6,190	6,190
Overdue from 181-365 days	-	-	-	-
Overdue over one year	17,526	17,526	12,974	12,974
Total	1,876,239	17,526	1,805,182	19,164
Total - Net Value	**1,858,713**		**1,786,018**	

All recognized allowances relate to long-term (until the assets' maturity date) expected credit losses.

Trade receivables:

Specification	Dec 31, 2021 Gross Value	Dec 31, 2021 Write-offs for expected credit losses	Dec 31, 2020 Gross Value	Dec 31, 2020 Write-offs for expected credit losses
Not due	1,408,921	-	3 206,936	-
Overdue from 0-90 days	27,031	-	68,492	-
Overdue from 91-180 days	32,613	-	3,282	-
Overdue from 181-365 days	136,215	-	2,004	302
Overdue over one year	958,806	958,806	911,771	911,771
Total	**2,563,585**	**958,806**	**4 192,485**	**912,073**
Total - Net Value	**1,604,779**	**-**	**3 280,412**	

All recognized allowances relate to long-term (until the assets' maturity date) expected credit losses.

Other receivables and short-term prepayments:

Specification	Dec 31, 2021 Gross Value	Dec 31, 2021 Write-offs for expected credit losses	Dec 31, 2020 Gross Value	Dec 31, 2020 Write-offs for expected credit losses
Not due	14,077,875	-	6,604,123	
Overdue from 0-90 days	386,591	-	5,685	5,010
Overdue from 91-180 days	334,417	-	20,750	20,750
Overdue from 181-365 days	288,060	287,461	272,482	272,482

(all figures are presented in PLN, unless otherwise stated)

Overdue over one year	1,318,175	1,318,175	447,469	447,471
Total	**16,405,118**	**1,605,636**	**7,350,509**	**745,713**
Total - Net Value	**14,799,482**		**6,604,795**	

All recognized allowances relate to long-term (until the assets' maturity date) expected credit losses.

With respect to the Group's other financial assets, such as cash and cash equivalents, the Group's credit risk arises from other party's inability to make payment. The maximum exposure to this risk is equal to the carrying amount of these instruments.

The Group has no significant concentrations of credit risk due to the insignificant value of receivables.

In respect of bonds held and cash and cash equivalents, in the Group's opinion, it was not necessary to create allowances for expected credit losses.

The Parent Company has no material concentrations of credit risk. As on the balance sheet date, cash is deposited at mBank, with which the subsidiary has been cooperating for many years. This bank has a good reputation, which minimizes the level of credit risk, and the possible amount of write-down would be insignificant for these consolidated financial statements. From 2022, the Company has also been using the services of Bank Millenium S.A.

Alior bonds - 16 units - value PLN 6.5 million, recognized in financial assets held to maturity; redemption on December 29, 2025; floating interest rate, 2.7% margin, 6-month WIBOR base rate. Due to the good reputation and financial situation of Alior, there was no need to make revaluation write-downs.

Changes in write-downs for expected credit losses for receivables are presented in notes 12 and 13.

Interest rate risk

At the end of the reporting period, the structure of interest-bearing financial instruments is as follows:

Financial instruments with a fixed interest rate	Dec 31, 2021	Dec 31, 2020
Financial assets	-	-
Financial liabilities	-	6,687,850
Total	**-**	**6 687,850**

Financial instruments with a variable interest rate	Dec 31, 2021	Dec 31, 2020
Financial assets (corporate bonds and deposits)	38,004,097	11,046,865
Financial liabilities (right-of-use liabilities)	40,004,262	46,899,638
Total	**-2,000,165**	**-35,852,773**

(all figures are presented in PLN, unless otherwise stated)

Foreign exchange risk

The Group is exposed to foreign exchange risk from commercial transactions. That risk arises from sales and purchases by the companies in currencies other than the functional currency (PLN).

The Group's exposure to foreign exchange risk has been presented for EUR currency, transactions in other currencies were omitted due to low materiality.

The Group's exposure to currency risk at the EUR exchange rate at the end of the reporting period is as follows:

Item	Dec 31, 2021	Dec 31, 2020
Long-term receivables:	-	-
Other long-term and short-term financial assets (investment fund participation units and bonds)	-	-
Trade receivables:	1,315,500	873,753
Other receivables (short-term)	5,355,451	4 032,333
Cash and cash equivalents	8,428,895	9,175,492
Liabilities from loans and borrowings	-	5 237,798
Trade liabilities and other liabilities	-7,847,775	-8 804,300
Right-of-use liabilities	-1,692,002	-2 179,711
Gross exposure	**5,560,069**	**8 335,365**
Change in gross exposure value in case of a 1% change in EUR exchange rate	55,601	83,354

A 1 percent change in the value of EUR against PLN would result in a change in profit before tax in 2021 by PLN 55.6 thousand (in 2020 by PLN 83 thousand).

That change would have no direct impact on the Group's equity. The impact of a change in the exchange rate of other currencies - mainly CZK would be insignificant due to their small share in the structure of assets and liabilities. The above analysis is based on the assumption that other variables, in particular interest rates, will remain at the constant level.

Liquidity risk

Liquidity risk is defined in such a way that the Group will not be able to meet its financial obligations with cash or other financial assets. The objective of the Group's liquidity management is to ensure that it has sufficient capacity to meet its required obligations, both in normal and unforeseen circumstances.

The Group continuously monitors its liquidity position for any deviations from assumed plans, and the availability of external sources of financing, the amount of which significantly exceeds the expected short-term demand, mitigates the liquidity risk.

To protect itself against the risk of losing liquidity, STS S.A., on behalf of the Group, signed agreements for credit lines described in note 21.

The tables below present the maturity dates of liabilities (including public law liabilities) on individual balance sheet days.

(all figures are presented in PLN, unless otherwise stated)

Maturity dates of liabilities as on December 31, 2021

Specification	Value as on the reporting date	Contractual cash flows	Up to 1 year	from 1 to 5 years	Over 5 years
Right-of-use liabilities	40,004,262	40,004,262	17,373,996	22,630,266	-
Trade liabilities	16,236,637	16,236,637	16,236,637	-	-
Other liabilities	99,284,722	99,284,722	99,284,722	-	-
Current income tax liabilities	2,923,292	2,923,292	2,923,292	-	-
Total	**158,448,913**	**158,448,913**	**135,818,647**	**22,630,266**	**-**

Maturity dates of liabilities as on December 31, 2020

Specification	Value as on the reporting date	Contractual cash flows	Up to 1 year	from 1 to 5 years	Over 5 years
Liabilities due to credits and loans	6,687,850	6,687,850	6,687,850	-	-
Right-of-use liabilities	46 899,638	46 899,638	15,395,485	25,397,718	6,106,435
Trade liabilities	27 047,960	27 047,960	27 047,960	-	-
Other liabilities	79 838,628	79 838,628	79 838,628	-	-
Current income tax liabilities	5 779,647	5 779,647	5 779,647	-	-
Total	**166 253,723**	**166 253,723**	**134 749,570**	**25,397,718**	**6,106,435**

Comparison of fair values with the values on the reporting date

In the opinion of the Management Board of the Parent Entity, the fair value of financial assets and liabilities does not differ materially from the values disclosed in the statement of financial position.

The rationale for this statement for each type of asset and liability is presented below.

- Cash and cash equivalents (including short-term bank deposits) - the value as on the reporting date is close to the fair value due to their immediate maturity or short-term maturity, and variable interest rates.
- Trade receivables, other receivables, trade payables and other liabilities - the value as on the reporting date is close to the fair value due to the short payment terms and, in the case of receivables, due to the recognized write-downs for expected credit losses.
- Long-term receivables - the value as on the reporting date is close to fair value - this item is relatively immaterial for the entire report, so the difference between the fair value and the book value would also be immaterial.
- Investment fund participation units - valuation in the statement of financial position at fair value based on the valuation of investment fund companies.
- Bonds - fair value assessment based on listing,
- Right-of-use liabilities - using the lessee's marginal interest rate determined on the basis of prevailing market interest rates for similar liabilities.

(all figures are presented in PLN, unless otherwise stated)

Fair value measurement hierarchy

In the consolidated financial statements, at the end of each financial year, investment fund participation units and liabilities to customers due to deposits, bonuses and pending bets were measured at fair value at the end of each financial year. Disclosures about the fair value measurement hierarchy that reflect the significance of the input data used in the measurement of fair value are included in the tables below.

	Dec 31, 2021		
Specification	Level 1	Level 2	Level 3
Assets - Investment fund participation units	2,127,982	2,031,640	-
Liabilities- Liabilities to customers for deposits, bonuses and pending bets			1,908,250
TOTAL	**2,127,982**	**2,031,640**	**1,908,250**

	Dec 31, 2020		
Specification	Level 1	Level 2	Level 3
Assets - Investment fund participation units	25,669,271	87 355,676	-
Liabilities- Liabilities to customers for deposits, bonuses and pending bets	-	-	1,176,482
TOTAL	**25 669,271**	**87 355,676**	**1 176,482**

Level 1 of the fair value hierarchy comprises financial assets whose fair value is measured on the basis of prices quoted in active markets for identical assets. Level 2 of the fair value hierarchy are financial assets whose fair value is measured using valuation models where all significant inputs are observable on the market directly (as prices) or indirectly (based on prices). This category includes financial instruments for which there is no active market. Investment fund participation units are included in in this category. Input data are identified as the fund's net asset value per share (participation unit). The valuation method adopted and used by the Group is the valuation according to the official net asset value of the fund per participation unit as on the balance sheet date, as announced by the collective investment institution.

Valuation techniques and inputs used by the Group for fair value measurements classified under level 3 of the fair value hierarchy:

- in the case of amounts due to customers for deposits made and bonuses granted to customers, the estimated fair value is the nominal value of deposits made by customers and bonuses granted to customers;
- in the case of bets pending as on the balance sheet date, the estimated fair value is the value adjusted by the expected margin of the Group based on the data from the last three years and relevant information available as on the reporting date.

Liabilities for pending bets are valued at the end of each financial year. The valuation effect is recognized in sales revenue (revenue from betting).

Changes in the value of pending bets and the amounts resulting from the valuation recognized in profit or loss in individual years are as follows:

Specification	2021	2020

Liabilities for pending bets at the beginning of the year after valuation	1,176,482	1,257,363
Settlement - resolution of bets	- 1,176,482	- 1,257,363
Liabilities for pending bets at year-end prior to valuation	2,510,855	1,548,002
Measurement difference - recognized in profit or loss (revenue from betting)	-602,605	- 371,520
Liabilities for pending bets at year-end after valuation	1,908,250	1,176,482

NOTE 26. EXPLANATIONS TO THE CASH FLOW STATEMENT

Change in the balance of liabilities

Specification	Dec 31, 2021	Dec 31, 2020
Balance sheet change in short-term liabilities	6,307,531	26,971,356
Change in the balance of right-of-use liabilities	-9,314,026	-5,937,927
Other	361,947	345,888
Total	**-2,644,548**	**21,379,317**

Other adjustments

Specification	Dec 31, 2021	Dec 31, 2020
Received subsidies - reimbursement of salary costs	-	-5,471,467
Pricing of the incentive program	3,917,102	-
Other - share acquisition adjustment	-	692,995
Total	**3,917,102**	**-4,778,472**

In January 2020 funds in the account of the company STS S.A. in the amount of PLN 9.2 million were blocked and secured in connection with different pending criminal proceedings as funds potentially derived from the illegal activity of a person who was in the past a client of the Group and was indicted for money laundering. The company STS S.A. was not a party to the criminal proceedings against that person and could not directly challenge the blocking of its funds. In May 2021, the company STS S.A. filed a civil claim against the State Treasury for the release of the blocked and secured amounts. The relevant proceedings are pending and a ruling has yet to be issued. Therefore, as at the balance sheet date of December 31, 2021, the amount of PLN 9.2 million represents cash and cash equivalents restricted for use by the Group.

NOTE 27. TRANSACTIONS WITH RELATED ENTITIES

The Parent Entity identified related parties in accordance with the principles of IAS 24.

The following entities were considered related entities:

- subsidiary entities:
  - STS S.A.
  - STS Gaming Group Ltd,
  - STS BET Ltd.
  - Betsys s.r.o.,
  - Betsys Poland spółka z ograniczoną odpowiedzialnością;
- members of the Supervisory Board:
  - Zbigniew Eugeniusz Juroszek,
  - Maciej Fijak
  - Elżbieta Spyra
  - Milena Olszewska – Miszuris
  - Krzysztof Krawczyk
- key personnel members:
  - Mateusz Zbigniew Juroszek - President of the Management Board,
  - Marcin Sylwester Walczysko – Vice-President of the Management Board,
  - Zdzisław Jan Kostrubała – Member of the Management Board;
- other entities related to the persons mentioned in the points above:
  - Stowarzyszenie Pracodawców i Pracowników firm Bukmacherskich,
  - Sport Twoją Szansą,
  - Betplay Capital spółka z ograniczoną odpowiedzialnością,
  - MJ Investments spółka z ograniczoną odpowiedzialnością,
  - ZJ-Invest spółka z ograniczoną odpowiedzialnością,
  - ATAL Construction spółka z ograniczoną odpowiedzialnością,
  - ATAL Spółka Akcyjna,
  - Metan Energy P. Basista Spółka Jawna,
  - ATAL ART Invest spółka z ograniczoną odpowiedzialnością (former: ATAL Services spółka z ograniczoną odpowiedzialnością),
  - Juroszek Holding spółka z ograniczoną odpowiedzialnością (former: Juroszek Investments spółka z ograniczoną odpowiedzialnością),
  - ATAL - Nowe Polesie 2 spółka z ograniczoną odpowiedzialnością w likwidacji,
  - ZJ-Invest spółka z ograniczoną odpowiedzialnością spółka komandytowa,
  - JP Construct spółka z ograniczoną odpowiedzialnością spółka komandytowa,
  - Temisto 9 spółka z ograniczoną odpowiedzialnością,
  - Juroszek Catch Me spółka jawna,
  - JP Construct spółka z ograniczoną odpowiedzialnością w likwidacji,
  - Juroszek Apartments spółka jawna,
  - WM Advisory spółka z ograniczoną odpowiedzialnością,
  - ATAL Development GmbH,
  - Yestersen spółka z ograniczoną odpowiedzialnością.

Transactions with related entities were carried out on an market terms. The overdue liabilities at the end of the period are interest-free and settled in cash or in a cashless manner, except for liabilities due to loans to which interest is accrued in accordance with the concluded contracts. Liabilities to related entities have not been covered by any granted or received guarantees. They are also not secured in any other forms. At the end of the financial period, i.e. December 31, 2021, the Group had no doubtful receivables from related parties. Transactions between the Parent Entity and its subsidiaries falling within the scope of these consolidated financial statements have been eliminated in the course of consolidation and are not shown in this note. Data on transactions with other related entities and information on unsettled balances are presented in the table.

(all figures are presented in PLN, unless otherwise stated)

Related party	Sales to related entities		Purchases from related entities	
	2021	2020	2021	2020
Sport Twoją Szansą	-	122	-	-
Betplay Capital sp. z o. o.	8,928	1 764	-	733,436
MJ Investments sp. z o. o.	19,663	1,476	12,300	24,600
ZJ-Invest sp. z o.o.	-	-	696,610	533,467
ATAL S.A.	71	500	554,181	5,993
ZJ-Invest spółka z ograniczoną odpowiedzialnością sp. k.	-	12,671	-	60,990
Juroszek Apartments sp. j.	3,351	3,351	-	-

Related party	Receivables from related entities		including overdue		Liabilities to related entities	
	2021	2020	2021	2020	2021	2020
Sport Twoją Szansą	-	11	-	11	-	-
Betplay Capital sp. z o. o.	170	246	-	246	-	-
MJ Investments sp. z o. o.	-	-	-	-	-	6,150
ZJ-Invest spółka z ograniczoną odpowiedzialnością sp. k.	-	-	-	-	-	7,524
Juroszek Apartments sp. j.	-	-	-	-	-	-

There are no outstanding liabilities after the payment deadline in both 2021 and 2020.

There were no transactions with the participation of key management personnel, except for the transaction of taking up shares in the increased share capital of the parent company. The transaction is described in detail in note 15 "Share capital".

NOTE 28. SALARIES OF SENIOR MANAGEMENT AND THE SUPERVISORY BOARD

Data regarding salaries of Members of the Management Board and Supervisory Board of the Parent Entity who have been identified as key management personnel in accordance with IAS 24 is presented below.

There were no long-term or post-employment benefits, and no benefits due to termination of employment. In 2021, there were share-based payments to two members of the Parent Company's Management Board

Benefits paid to the Members of the Management Board

(all figures are presented in PLN, unless otherwise stated)

Specification	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Remuneration of the Members of the Management Board of the parent company	888,033	609,887
Incentive program	3,580,000	-

Benefits paid to the Members of the Supervisory Board

Specification	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Remuneration of the Members of the Supervisory Board	19,161	20,505

NOTE 29. SHARE-BASED PAYMENTS

The STS Holding incentive program was adopted on the basis of two resolutions:

1. Resolution No. 5 of the Extraordinary General Meeting of STS Holding SA of October 21, 2021 on the increase of the Company's share capital by issuing series C shares, depriving the existing shareholders of the Company of all pre-emptive rights. Pursuant to this resolution, the share capital of the Company was increased by the amount of PLN 140,000.00 through the issue of 140,000 ordinary registered series C shares with a nominal value of PLN 1.00 each, and with an issue price of PLN 1.00 per share. These shares were offered for private subscription by Mr. Zdzisław Kostrubała (member of the Management Board) in the number of 70,000 series C shares in exchange for a cash contribution of PLN 70,000.00, and Mr. Marcin Walczysko (member of the Management Board) in the number of 70,000 shares series C in exchange for a cash contribution of PLN 70,000.00. The capital increase was registered by the Registry Court on November 29, 2021. The Extraordinary General Meeting, having read the written opinion of the Management Board of the Company justifying the reasons for depriving the Company's shareholders of the pre-emptive rights and the proposed issue price for series C shares, decided in the interest of the Company to deprive the Company's shareholders of the entire pre-emptive rights regarding all series C shares;

The rights to purchase 1 share of the Company at the price of PLN 1 were acquired on October 21, 2021. The purchased shares are subject to transferability restriction for a period of 12 months from the allotment date (Lock-up period). The allowance does not include the so-called vesting conditions that relate to the vesting period. The number of granted allowances is 140,000; in this case, there was a new issue of the underlying assets. The allowances valued in this part of the report are shares that are purchased immediately on the grant date and therefore have been valued based on their market price.

2. Resolution No. 4 of the Extraordinary General Meeting of STS Holding SA of October 29, 2021 on the introduction of an incentive program for key employees and associates of the STS Holding S.A. Group. The incentive program was established to introduce mechanisms in the Company that increase the value of the Company and its group of companies, and to further enable participation of key employees and associates in the expected increase in the value of the Group and to ensure their permanent bond with the Group. The incentive program will be implemented based on the Company's financial results achieved in individual financial years, starting from the financial year ending on December 31, 2021, to the financial year ending on December 31, 2023. In order to enable the implementation of the Incentive Program, it was decided to authorize the Management Board to use the authorization to increase the share capital as part of the authorized capital established in accordance with the conditions set out in the Articles of Association amended by Resolution No. 6 of the Extraordinary General Meeting of STS Holding SA of October 21, 2021 for the purpose of issuing shares in accordance with the provisions of the Regulations. As part the the Incentive Program, the Management Board will be authorized to issue no more than 714,000 series D bearer shares of the Company.

(all figures are presented in PLN, unless otherwise stated)

General assumptions of the Incentive Program:

The purpose of the Incentive Program is to link the interests of the Program participants with the achievement of long-term business goals and the implementation of the Group's strategy, as well as to maintain an employment relationship with the Participants who have a key influence on the shaping and implementation of the Group's strategy. With regard to the Program participants being the Members of the Management Board, the Incentive Program implements the goals of the Company's remuneration policy by constantly linking the interests of the Management Board members with the long-term goals and strategy of the Group to enable participation of the Management Board members in the growth of the Company's value. The Incentive Program will be implemented in the years 2022-2024 and it covers the implementation of goals for the financial years ended December 31, 2021, 2022 and 2023, respectively. The Management Board has defined the list of participants who received or will receive a letter regarding participation in the Program and the maximum number of Bonus Shares that a given Participant may receive under the Incentive Program. Each Participant must sign a Letter of participation in the Program.

The Management Board of the Parent Company defined the EBITDA Target for the given performance period. The fulfillment of the EBITDA Target will be verified within two weeks from the publication of the Parent Company's Annual Report for a given Performance Period. Within two weeks of the publication of the Parent Company's Annual Report for a given Performance Period, each participant will receive a Notification from the Management Board of STS Holding S.A. confirming the level of fulfillment of the targets for the given performance period and the total number of bonus shares to which a given participant is conditionally entitled. Each participant will pay the issue price for one premium share equal to the nominal value of the Parent Company's shares. The Management Board will adopt a resolution on the increase of the Parent Company's share capital and the allocation of the Bonus Shares immediately after receiving the confirmation of payment of the Issue Price from each of the Participants. The period of restriction of the transferability of the Bonus Shares shall be 12 months from a given Allotment Date ("Lock-Up Period"). The valued allowances are shares that are purchased immediately on the grant date and therefore have been valued based on their market price. The invitation to the program was sent on December 21, 2021. Letters about joining the program were signed by program participants in the period from December 21 to December 30, 2021. The grant date was the same for the three annual tranches.

The numerical method of approximating the solutions of differential equations, known as the finite difference method, was used to estimate the value of the allowances. The adopted valuation method is commonly used in the valuation of derivative instruments and it is in line with IFRS 2. It is a development of the Black-Scholes-Merton model.

Underlying asset prices as on the valuation date:
21.12.2021 – 23.90
22.12.2021 – 24.10
23.12.2021 – 24.20
27.12.2021 – 23.50
28.12.2021 – 23.90
30.12.2021 – 23.50

The table below specifies the value of asset volatility and the risk-free interest rate for each allowance:

allowance	interest rate	volatility of rates
U-2021-12-21-T2021	1.60%	38%
U-2021-12-21-T2022	2.60%	36%
U-2021-12-21-T2023	2.90%	37%
U-2021-12-22-T2021	1.60%	38%
U-2021-12-22-T2022	2.60%	36%
U-2021-12-22-T2023	2.90%	37%
U-2021-12-23-T2021	1.60%	38%
U-2021-12-23-T2022	2.60%	36%

(all figures are presented in PLN, unless otherwise stated)

U-2021-12-23-T2023	3.30%	37%
U-2021-12-27-T2021	1.60%	38%
U-2021-12-27-T2022	2.60%	36%
U-2021-12-27-T2023	3.30%	37%
U-2021-12-28-T2021	1.60%	38%
U-2021-12-28-T2022	2.80%	36%
U-2021-12-28-T2023	3.30%	37%
U-2021-12-30-T2021	1.50%	38%
U-2021-12-30-T2022	3.00%	36%
U-2021-12-30-T2023	3.30%	37%

The shares of STS Holding S.A. have a very short trading history. Therefore, volatility calibrations were made on the basis of historical quotations of similar companies indicated by the Entity as those meeting the requirements of IFRS 2. The companies used for this purpose are Flutter Entertainment (FLTR), Entain (ENT), Kindred Group (KIND). The unit makes a reservation that these are not companies with the same profile as STS Holding S.A. and they have been indicated only for the purpose of calibrating the volatility of shares. The calibration period was each time adjusted to the expected maturity of a given allowance.
The parameters were calibrated in accordance with the commonly used mathematics and financial statistics methodology.

The expenses recognized as employee benefits related to the granted rights to acquire the Company's shares during the period of 2021 are presented in the table below:

	Mar 10 - Dec 31, 2021
Total cost of a share-based payment settled in equity instruments - applies to the program for Members of the Management Board of STS Holding S.A.	3,917,102
Total cost of a share-based payment settled in cash	-
Total - the cost of a share-based payment	**3,917,102**

The table below shows the balance and the weighted average share price as on the balance sheet date:

2021	Number of shares	Weighted average price
Balance as on Dec 31, 2021	673,000	22.72278
options exercisable at the end of the period	291,000	24.27804

The valued allowances are shares that are purchased immediately on the grant date and therefore have been valued based on their market price. The valuation was based on the assumptions adopted by the Company:

For allowance U-2021-10-21 - valuation date October 21, 2021; the price of the underlying asset on that date is: 26.70.

(all figures are presented in PLN, unless otherwise stated)

The fair value of individual allowances in PLN is presented in the table below:

	date of valuation	fair value (A)	number of allowances (B)	liability value (A * B)
Incentive program				
U-2021-12-21-T2021	21.12.2021	22.91	31,000	710,210.00
U-2021-12-21-T2022	21.12.2021	21.96	35,000	768,600.00
U-2021-12-21-T2023	21.12.2021	21.04	39,000	820,560.00
U-2021-12-22-T2021	22.12.2021	23.11	69,000	1,594,590.00
U-2021-12-22-T2022	22.12.2021	22.16	88,000	1,950,080.00
U-2021-12-22-T2023	22.12.2021	21.24	97,000	2,060,280.00
U-2021-12-23-T2021	23.12.2021	23.21	15 000	348,150.00
U-2021-12-23-T2022	23.12.2021	22.26	18,000	400,680.00
U-2021-12-23-T2023	23.12.2021	21.36	21 000	448,560.00
U-2021-12-27-T2021	27.12.2021	22.51	17,000	382,670.00
U-2021-12-27-T2022	27.12.2021	21.56	19,000	409,640.00
U-2021-12-27-T2023	27.12.2021	20.66	21 000	433,860.00
U-2021-12-28-T2021	28.12.2021	22.91	9,000	206,190.00
U-2021-12-28-T2022	28.12.2021	21.96	9,000	197,640.00
U-2021-12-28-T2023	28.12.2021	21.06	9,000	189,540.00
U-2021-12-30-T2021	30.12.2021	22.51	10 000	225,100.00
U-2021-12-30-T2022	30.12.2021	21.57	12,000	258,840.00
U-2021-12-30-T2023	30.12.2021	20.66	14,000	289,240.00
Total:			**533,000**	**11,694,430.00**
Series C shares				
U-2021-10-21	Oct 21, 2021	25.7	140,000	3,598,000.00
Total:			**140,000**	**3,598,000.00**
TOTAL:				**15,292,430.00**

(all figures are presented in PLN, unless otherwise stated)

NOTE 30. EMPLOYMENT

The average annual employment structure in the Group at the end of individual periods is as follows:

Specification	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Manual workers	3	4
White-collar workers	1,255	1 289
Total number of employees	**1,258**	**1,293**

Employee rotation

Specification	Jan 1, 2021 – Dec 31, 2021	Jan 1, 2020 – Dec 31, 2020
Number of employees hired	332	304
Number of employees terminated	325	365
Difference	**7**	**-61**

NOTE 31. SEASONALITY

There is no seasonality in the area of the Group's operations.

NOTE 32. DISCONTINUED OPERATIONS

There were no discontinued operations in the periods covered by these historical financial information.

NOTE 33. CAPITAL MANAGEMENT

The main goal of capital management in the STS Holding S.A. Group is maintaining the structure of equity and liabilities which will ensure the development and security of the Group's operations and at the same time enable it to obtain dividends expected by the shareholders.

There were no changes in the goals, rules and processes in the capital management area of the Group in the period ended December 31, 2021.

The Group monitors its capital position using a leverage ratio, which is the ratio of net debt (total liabilities excluding provisions less cash and cash equivalents) to the equity.

The financial performance and financial position so far have enabled the Group to avoid taking bank loans.

(all figures are presented in PLN, unless otherwise stated)

The structure of net debt, equity and the leverage ratio is as follows:

Specification	Dec 31, 2021	Dec 31, 2020
Liabilities due to credits and loans	-	6,687,850
Right-of-use liabilities	40,004,262	46 899,638
Trade liabilities	16,236,637	27 047 960
Other liabilities	102,208,014	85,618,275
Less cash and cash equivalents	-146,433,170	-48,652,271
Net Financial Debt	**12,015,743**	**117 601,452**
Equity	**105,401,310**	**98 932,272**
Equity and net debt	**117,417,053**	**216 533,724**
Leverage ratio	**11.40%**	**118.9%**

NOTE 34. BUSINESS COMBINATIONS FOR THE PERIOD ENDED DECEMBER 31, 2021

Merger through the acquisition of entities under common control of STS BET Ltd.

On July 14, 2021, STS S.A. purchased from Betplay Capital sp. z o.o.(former: Betplay International Sp. z o.o.) 100% of the shares in a Maltese company, STS BET Ltd, for the price resulting from the nominal value of the shares (1 million shares at EUR 1.00 each), i.e. EUR 1,000,000.00. The sale price was paid in cash. The company STS.BET Ltd has been providing bookmaking services on the European market under its own license in the UK and Estonia since April 2019. These licenses entitle STS.BET Ltd to offer sports betting, casino games as well as games based on random number generators (RNG).

The main reason for STS S.A. purchasing the shares in STS.BET Ltd was to organize the the Group's structures by bringing together companies operating on the bookmaking market within one Group of Companies.

Due to the fact that the seller of the shares was a company which is also a co-owner of STS S.A., and Mr. Mateusz Juroszek is the controlling person before and after the merger with STS BET Ltd, the acquisition under joint control took place. Therefore, to account for this acquisition, the accounting policy for mergers under common control presented in point II a (i) was applied. In accordance with the adopted policy, the relevant items of assets, liabilities and revenues and costs of STS BET Ltd were summed up by making appropriate exclusions of balances and mutual transactions as well as elimination of share capital, assuming that the acquiree had been controlled by the Group from previous years, and comparative data was restated.

Merger through the acquisition of entities under common control of STS Holding S.A. and STS S.A.

On September 10, 2021, the Extraordinary General Meeting of the Parent Company adopted Resolution No. 3 on increasing the share capital by issuing series B shares for the existing shareholders of the Company. The share capital of the Company was increased by PLN 156,149,998.00 through the issue of 156,149,998 series B shares with a nominal value of PLN 1.00 per share and an issue price of PLN 19.1767091322446 per share. All shares were offered for subscription pursuant to Art. 431 para. 2 point 1 of the Commercial Companies Code, by way of a private subscription by the existing shareholders of STS Holding S.A. holding the company's shares as at the subscription rights date, in exchange for an in-kind contribution in the form of 112,150,000 series A and B registered shares of STS Spółka Akcyjna with its registered office in Katowice. The total value of the in-kind contribution was PLN 2,994,443,131.00. To account for this acquisition, the pooling of interests method was used, based on the reference in IAS 8 to the local standards regulating this type of acquisition, i.e. the Accounting Act, due to the fact that Mr. Mateusz Juroszek is the person exercising control before and after the merger.

(all figures are presented in PLN, unless otherwise stated)

The capital increase in STS Holding S.A. was registered by the Registry Court on November 4, 2021.

NOTE 35. TAX SETTLEMENTS

Regulations on gambling and lottery tax, tax goods and services tax, corporate and personal income tax or social security contributions are subject to modifications, as a result of which there is often no reference to established regulations or legal precedents. Also, applicable regulations include ambiguities that cause differences in opinions as to the legal interpretation of tax regulations both between government bodies and between companies and government bodies. Tax and other settlements (e.g. customs or foreign currency settlements) may be subject to control by bodies that are authorized to impose high fines, any additional tax liabilities resulting from the control must be paid together with high interest. Due to these phenomena, the tax risk in Poland is higher than usual tax risk in the countries with more developed tax regimes.

NOTE 36. REMUNERATION OF THE AUDITING COMPANY

The table below presents the remuneration of the entity authorized to audit financial statements, paid or due for the year ended December 31, 2021 and December 31, 2020, broken down by type of services:

Service type	Year ended Dec 31, 2021	Year ended Dec 31, 2020
Audit of the annual separate financial statements of STS Holding S.A.	25,830	-
Audit of the annual separate financial statements of STS S.A.	43,050	43,050
Audit of the Group's consolidated financial statements	73,800	18,204
Assessment of the remuneration report for 2021	6,150	-
Other	485,563	-
Total, including:	**634,393**	**61,254**
- due as at the balance sheet date	86,000	-
- paid as on the balance sheet date	548,393	61,254

NOTE 37. DATA COMPARABILITY

The Note presents the comparability of the data for 2020 presented in these consolidated financial statements, as compared to the previously published financial data.

The change results from the change in the presentation of items in the statement of financial position and it is also related to the statement of changes in equity.

ASSETS	31.12.2020	Presentation adjustments	December 31, 2020 after presentation adjustments

Non-current assets	**112,337,121**	**-**	**112,337,121**
Tangible fixed assets	21,977,396	-	21,977,396
Intangible assets	8,521,566	-	8,521,566
Goodwill	11,515,210	-	11,515,210
Right-of-use assets	45,910,084	-	45,910,084
Deferred tax assets	-	-	-
Non-current prepayments and non-current accruals		2,720,242	2,720,242
Long-term receivables:	1,786,018	- 1,786,018	-
Long-term prepayments and accruals	934,224	- 934,224	-
Other financial assets	21,692,623	-	21,692,623
Current Assets	**156,124,450**	**-**	**156,124,450**
Inventory	4,572	-	4,572
Trade and other receivables		9,885,207	9,885,207
Trade receivables:	3,280,412	- 3,280,412	-
Other receivables:	5,432,107	- 5,432,107	-
Short-term prepayments and accruals	1,172,688	- 1,172,688	-
Other financial assets	97,582,400	-	97,582,400
Cash and cash equivalents	48,652,271	-	48,652,271
TOTAL ASSETS	**268,461,571**	**-**	**268,461,571**

LIABILITIES	**31.12.2020**	**Presentation adjustments**	**December 31, 2020 after presentation adjustments**
Equity	**98,932,272**	**-**	**98,932,272**
Share capital of the parent entity	**94,144,269**	**-**	**94,144,269**
Share capital	2,496,000	-	2,496,000
Other capitals	1,990,000	- 1,990,000	-
Currency translation profit/(loss)	- 1,327,937	1,327,937	-
Other reserve capitals		662,063	662,063
Retained earnings carried forward from the previous years	- 11,211,951	11,211,951	-
Net profit/(loss) attributable to shareholders of the Parent Company	102,198,157	- 102,198,157	-
Retained earnings	-	90,986,206	90,986,206
Write-off on net profit during the financial year	-		-
Non-controlling shareholders' capital	**4,788,003**		**4,788,003**
Long-term liabilities	**32,879,945**		**32,879,945**
Right-of-use liabilities	31,504,153	-	31,504,153
Other liabilities	-	-	-
Deferred income tax provisions	941,291	-	941,291
Provisions for pensions and similar benefits	434,501	-	434,501
Current Liabilities	**136,649,354**		**136,649,354**
Liabilities due to credits and loans	6,687,850	-	6,687,850
Right-of-use liabilities (lease)	15,395,485	-	15,395,485
Trade liabilities	27,047,960	-	27,047,960
Current income tax liabilities	5,779,647	-	5,779,647
Other liabilities	79,838,628	-	79,838,628
Provisions for pensions and similar benefits	1,844,310	-	1,844,310
Other provisions	55,474	-	55,474
TOTAL LIABILITIES AND EQUITY	**268,461,571**	**-**	**268,461,571**

(all figures are presented in PLN, unless otherwise stated)

Statement of changes in equity for the period from January 1, 2020 to December 31, 2020, before the presentation adjustments

Specification	Share capital	Currency translation profit/(loss)	Other capital - capital from mergers under common control	Other capitals - remaining other capital	Retained earnings carried forward from the previous years	Write-down on profit	Financial result for the current period	Share capital of the parent entity	Non-controlling shareholders' capital	Total Equity
Equity as on Jan 1, 2020	**2,496,000**	**154,759**	**-**	**-**	**108,577,730**	**-59,361,867**	**-**	**51,866,622**	**-**	**51,866,622**
Changes in accounting principles (policy)	-	-	-	-	-	-	-	-	-	-
Reorganization of the Group of Companies	-	-	-2,994,443,131	2,994,443,131	-	-	-	-	-	-
Equity after adjustments	**2,496,000**	**154,759**	**-2,994,443,131**	**2,994,443,131**	**108,577,730**	**-59,361,867**	**-**	**51,866,622**	**-**	**51,866,622**
Increase in share capital	-	-	1,990,000	-	-	-	-	**1,990,000**	**-**	**1,990,000**
Payment of dividends	-	-	-	-	- 60,427,814	-	-	**-60,427,814**	**-**	**- 60,427,814**
Distribution of the net profit	-	-	-	-	- 59,361,867	**59,361,867**	**-**	**-**	**-**	**-**
Balance sheet valuation (translation differences)	-	-1,482,696	-	-	-		-	**- 1,482,696**	**-**	**- 1,482,696**
Write-down on profit	-	-		-	-		-	-	-	-
Settlement of the acquisition of subsidiaries	-	-	-	-	-		-	-	**4,065,128**	**4,065,128**
Other	-	-	-	-	-		-	-	-	-
Net profit/loss for the accounting year	-	-	-	-	-		**102,198,157**	**102,198,157**	**722,875**	**102,921,032**
Equity as on December 31, 2020	**2,496,000**	**-1,327,937**	**-2,992,453,131**	**2,994,443,131**	**-11,211,951**		**102,198,157**	**94,144,269**	**4,788,003**	**98,932,272**

(all figures are presented in PLN, unless otherwise stated)

Statement of changes in equity for the period from January 1, 2020 to December 31, 2020, after presentation adjustments

Specification	Share capital	Surplus of the issue price above the nominal value of shares	Other capitals	Retained earnings	Capital of the shareholders of the parent company -	Capital of non-controlling shareholders	Total Equity
Equity as on Jan 1, 2020	2,496,000	-	154,759	49,215,863	51,866,622	-	51,866,622
Changes in accounting principles (policy)	-	-	-	-	-	-	-
Reorganization of the STS Holding S.A. Group of Companies	-	-	-	-		-	-
Equity after adjustments	2,496,000	-	154,759	49,215,863	51,866,622	-	51,866,622
Increase in share capital	-	-	1,990,000	-	1,990,000	-	1,990,000
Payment of dividends	-	-	-	-60,427,814	-60,427,814	-	-60,427,814
Reorganization of the Group of Companies	-	-	-	-	-	-	-
Settlement of the acquisition of subsidiaries	-	-	-	-	-	4,065,128	4,065,128
Net profit/loss for the accounting year	-	-	-	102,198,157	102,198,157	722,876	102,921,033
Other comprehensive income	-	-	-1,482,696		-1,482,696	-	-1,482,696
Comprehensive income	-	-	-1,482,696	102,198,157	100,715,461	722,876	101,438,337
Sum of capital changes	-	-	507,304	41,770,343	42,277,647	4,788,003	47,065,650
Equity as on December 31, 2020	2,496,000	-	662,063	90,986,203	94,144,269	4,788,003	98,932,272

NOTE 38. THE IMPACT OF COVID ON THE GROUP'S OPERATIONS

Since March 2020, the global markets have been exposed to severe disruption due to the COVID-19 pandemic. As a result of the pandemic, individual countries, including Poland, have taken extensive measures to limit the spread of the virus and its effects, such as introducing social, travel, and economic restrictions. In 2021, restrictive measures introduced by the governments were gradually relaxed mainly due to the growing percentage of the vaccinated population.

While the Polish economy was able to maintain its positive outlook, the COVID-19 pandemic and related economic and societal events resulted in, among others, increasing inflation, a decline in purchasing power, a volatility in the demand for consumer goods, a change in consumer preferences and a general deterioration in the mood of citizens related to the deterioration of their economic or social situation and uncertainty as to the further development of events.

The pandemic increases the risk of an economic downturn which in turn can potentially result in rising unemployment and inflation, – factors which may adversely impact on the Polish market. The uncertainty is predicted to be related to the COVID-19 pandemic and its effects on the global economy.

The COVID-19 pandemic has had a direct impact on the Group’s operations, including the Group’s main operating company, i.e. STS S.A. Due to the cancellation of numerous sports events from March to June 2020, and changes in traditional schedules there has been a corresponding significant decrease in sports betting in that period. In addition, due to COVID-19, STS S.A. decided to shut down its retail operations (stationary betting shops) between March 15, 2020 and May 3, 2020. At the same time, from March to June 2020, the Group noticed an increasing interest in online betting on eSports, BetGames and virtual sports. Since June 2020, the Group has noticed a permanent increase in online and offline betting. In total, the Group’s turnover increased in 2020 by 8% as compared to 2019; however, the Group believes such increase would have been much higher under normal circumstances, i.e., without changes to the scheduling of sports events and shut down of retail operations as well as the consequences of COVID-19 pandemic.

Moreover, employees or persons cooperating with the Group who had contact with persons diagnosed with COVID-19 or were themselves diagnosed with COVID-19 may have to be quarantined, have to self-isolate and/or be on sick leave or hospitalized, which may have a negative impact on the Group’s operations, in particular if this applies to a significant number of people simultaneously or a group of employees responsible for a specific area of the Group’s operations.

Another wave of the COVID-19 pandemic, emergence of new mutations of COVID-19 or any similar disease may have a negative impact on the execution of the Group’s business plans and operations. The increase in remote working may also result in consumer privacy, IT security and fraud concerns, as well as increase the Group’s exposure to potential work organization, and its understanding of applicable legal and regulatory requirements, as well as the latest guidance from regulatory authorities in connection with the COVID-19 pandemic, may be challenged by the competent authorities, particularly as regulatory guidance evolves in response to future developments.

The Management Board of the Parent Entity did not find any material uncertainty related to the going concern of the Group resulting from the COVID-19 pandemic. In making the assessment, the Management Board analyzed possible negative scenarios that may affect future cash flows, availability of financing, planned revenues and financial results.

NOTE 39. THE IMPACT OF THE WAR IN UKRAINE ON THE GROUP'S OPERATIONS

The Group's operations are and may be affected in the future by the armed conflict that commenced on a large scale between Russia and Ukraine. The war may have serious consequences for the Polish economy.

Currently, it is difficult to precisely estimate the impact of the war in Ukraine on the Group's operations, however, as at the date of approval of these consolidated financial statements, the Management Board has not identified any circumstances that would pose a threat to the Group continuing as going concern. Due to the complexity of the situation and the possibility of many scenarios being realizes, the development of the situation will be monitored on an ongoing basis.

NOTE 40. EVENTS AFTER THE BALANCE SHEET DATE

On January 25, 2022, the Issuer's subsidiary, i.e. STS S.A., received the decision of GIIF on the imposition of an administrative penalty on STS S.A. in connection with the violation of certain provisions of the Act of March 1, 2018 on counteracting money laundering and financing terrorism (“AML Act”). According to the information obtained, GIIF, by decision of January 14, 2022, imposed an administrative penalty on STS S.A. in the amount of PLN 2,950,000.00.

In the opinion of the Issuer, the imposition of an administrative penalty by GIIF and the initiation of the proceedings in question was unjustified. In particular, the explanations presented by STS S.A., submitted both as part of the control and administrative proceedings, were not taken into consideration by GIIF. In the opinion of the Issuer's Management Board, STS S.A. complied with all procedures required by law, including the verification of players, reporting and compliance with other obligations under the AML Act. Therefore, STS S.A. appealed against the decision of GIIF and is going to use all the means of appeal it is entitled to, including an appeal to the administrative court.

In the Issuer’s opinion, the administrative penalty imposed by GIIF will not have a significant impact on the financial situation of the Issuer's Group. At the present stage, the decision of GIIF is not final, and the penalty will be payable only from the date on which the decision to impose it becomes final.

Fines are typical administrative sanctions for non-compliance with regulatory obligations. However, one of the sanctions provided by the Polish Gambling Law for failure to comply with the obligations relating to the prevention of money laundering or terrorism financing is the withdrawal of the relevant licenses to conduct sports betting. Any sanctions imposed and/or regulatory measures applied may require the Group to expend significant capital or other resources, modify internal standards, procedures, systems or the Group’s product offering, and may require the Group to modify or cease its operations, all of which could adversely affect the Group’s business, performance, prospects, value, financial condition, and results of operations.

In the Group’s opinion, the probability of the materialization of this risk is medium.

Katowice, April 27, 2022

Mateusz Juroszek President of the Management Board of STS Holding S.A.	Zdzisław Kostrubała Member of the Management Board of STS Holding S.A.
Marcin Walczysko Member of the Management Board of STS Holding S.A.	Bożena Gwiazda Chief Accountant of the Group